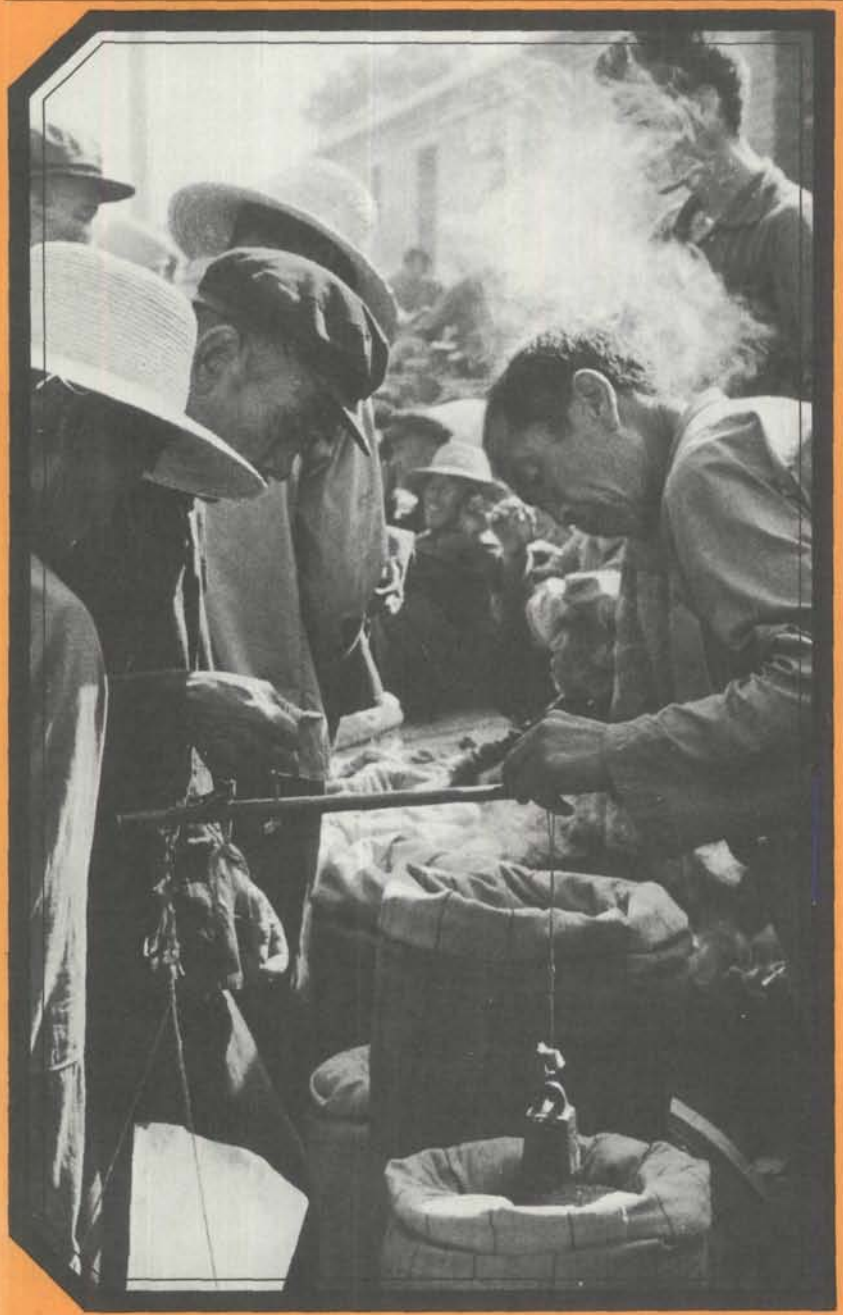
Problems of Communism

SEPTEMBER-OCTOBER 1986



Commercializing China's Rural Cadres

Jean C. Oi

Cuba's Economy in the 1980's

Jorge Pérez-López

Moscow & Damascus

Pedro Ramet

Book Reviews

William Taubman
John C. Reppert
Timothy Ashby
Bruce Stone

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Problems of Communism

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SEPTEMBER-OCTOBER 1986 VOL XXXV

Problems of Communism (ISSN 0032-941x) is a bimonthly publication providing analyses and significant information about the contemporary affairs of the Soviet Union, China, and comparable states and political movements. Views of contributors, as well as geographic boundaries and names, do not necessarily reflect the policies of the United States Government.

On all editorial matters, communications should be addressed to: The Editors, *Problems of Communism,* US Information Agency, United States of America, 301 4th Street SW, Washington, DC, 20547, USA. Telephone (202) 485-2230.

On subscriptions, communications should be addressed to: The Superintendent of Documents, US Government Printing Office, Washington, DC, 20402, USA, preferably using the subscription form provided at the back of this issue. Outside the United States, please address inquiries to the Public Affairs Section, Embassy of the United States of America.

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An annual index for *Problems of Communism* appears in the November-December issue (No. 6) of each year except in the case of the first three volumes, which are covered in a combined index in the November-December issue (No. 6) of Vol. III. Material from the journal is also indexed in *ABC POL SCI, Bibliographie Internationale des Sciences Sociales (all Sections), Current Contents, Economic Abstracts, Historical Abstracts, Index to US Government Periodicals, International Political Science Abstracts, Public Affairs Information Service, Social Sciences Citation Index, Social Sciences Index, Strategic Studies Reference Guide,* and *United States Political Science Documents.*

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COVER: A transaction at a rural fair in Luanzian County of China's Hebei Province. Photo by Eastfoto.

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IN THIS ISSUE OF

Problems of Communism

Articles

Commercializing China's Rural Cadres

Jean C. Oi

Rural China is changing rapidly. Collective work is giving way to individual farming, and state quotas are being replaced by contractual arrangements between peasants and the state. Accompanying this commercialization of agriculture is a significant change in the tasks of rural government. Once primarily implementers of government policy and managers of agricultural production, village governments now perform functions akin to those of general contractor, trustee, and franchising company, as well as of salesman and broker.

Cuban Economy in the 1980's

Jorge Pérez-López

At the Third Congress of the Cuban Communist Party, Fidel Castro expressed considerable displeasure with the Cuban economy in the first half of the 1980's, whose performance is itself probably overstated owing to price inflation. Falling prices for oil and sugar on the international market have aggravated the nation's balance of payments and debt problems. Castro's response—to tinker with the planning bureaucracy and to launch a new "revolutionary counteroffensive"—appears to threaten Cuba's modest progress toward rationalization and marketization of its economy, a program that has been under way since the mid-1970's. Should Havana proceed in the indicated direction, one can expect bad times ahead for the Cuban economy.

The Soviet-Syrian Relationship

Pedro Ramet

The relationship between the Soviet Union and Syria over the last decade provides a good example of the limits of a superpower's influence on a regional client state. Despite massive Soviet assistance—especially military assistance—the USSR was unable to deter Syria's involvement or shape its course of action with respect to the Palestinian Liberation Organization in Lebanon. Yet, in both 1976 and 1983, Syria appeared to the Soviets to be too important an ally to abandon. Thus, the Soviet Union acquiesced in Syrian actions, even as it tried to limit the damage to its relations with the PLO and other regional actors.

Essay-reviews

Sources of Soviet Foreign Conduct

William Taubman

Western scholars and statesmen agree that the USSR has been plagued by serious internal decline even as it achieved unprecedented military power and made vigorous efforts to expand externally. There is less agreement about the implications of these seemingly contradictory trends. Do Soviet domestic difficulties afford the West an opportunity to check Soviet expansionism, or do they actually fuel the expansionist drive? On this question, the debate in the West goes on.

(Abstracts continued on reverse side)

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Europe's Defense Today

John C. Reppert

Recent events have again focused US attention on the issue of West European security. Effective security in this vital area depends not so much on new weapons systems or arms control agreements as on an adequate defense and deterrence based on an understanding of Soviet intentions and inclinations. A lack of appreciation of the peculiarities of Soviet thought has often resulted in the past in costly programs that have unnecessarily threatened or confused the Soviets and have degraded Western security.

Grenada's "Revo"

Timothy Ashby

The vast collection of documents seized by US military personnel during the joint US-OECS action in Grenada provides unique insight into the inner workings of a Third World Marxist-Leninist regime. This review of the first spate of studies on the revolutionary period in Grenada shows a tendency on the part of most authors to make selective use of the documents and to downplay both Soviet strategic interest in Grenada and Maurice Bishop's Marxist-Leninist ideological tendencies.

Chinese Socialism's Record on Food and Agriculture

Bruce Stone

Despite the considerable emphasis given to China's agrarian revolution both in China and in the West, two recent but quite different studies agree that Chinese socialism has been no panacea for the problems of farm production development and food economy in this largest of peasant societies. At best, they say, Chinese leaders have bartered for modest advantages in solving one set of problems by accepting serious disadvantages of a more intractable and far-reaching nature; at worst, they have stultified development, exacerbated rural poverty, and courted catastrophe.

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Commercializing China's Rural Cadres

Jean C. Oi

Rural China is changing rapidly. Collective work is giving way to individual farming, and state quotas are being replaced by contractual arrangements between peasants and the state. Chinese agriculture is becoming increasingly commercialized, and there is a shift under way from production for subsistence to production for the market. This is being accompanied by greater crop specialization, a shift to cash crops, and the development of local small-scale industry.

The extent of commercialization is evident in published government figures on agricultural production. From 1979 to 1985, the acreage sown in grain decreased by 6.6 percent, while that sown in cash crops increased by 31.8 percent.[1] Between 1984 and 1985 alone, the acreage set aside for grain production decreased by some 2.7 percent, from 78.3 to 75.6 percent of total land under cultivation.[2] The value of economic cash crops, in terms of percentage of monetary value of total agricultural output, rose steadily from 23.3 percent in 1978, to 29.4 percent in 1983, to 31.8 percent in 1984;[3] and the commodity production rate reached 53.3 percent of total production in 1985.[4] Furthermore, the number of goods covered by state quota and procurement guidelines decreased from a high of 180 to 39 (24 of which are medicinal items),[5] and unified procurement of grain and cotton was abolished in favor of contractual agreements with the state. By the end of 1984, specialized households (*zhuanye hu*)—those that specialize on producing one item or crop[6]—numbered approximately 22.5 million, or 14 percent of the rural population. Based on available figures, their numbers could grow by as much as 63.9 percent over the 1983 total of 16 million.[7]

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[1]The area sown in grain decreased from 1,810 million *mu* to 1,690 million *mu*; the area sown in cash crops increased from 220 million *mu* to 290 million *mu*. See *Renmin Ribao* (Beijing, Overseas ed.), Jul. 21, 1985, p. 1. A *mu* is 0.1647 acres.

[2]"Brief Look at the 1985 Economy," *Beijing Review*, Jan. 13, 1986, p. 6.

[3]*Renmin Ribao*, Mar. 11, 1985, p. 2.

[4]Peng Baoquan, "Development and Reform in Commerce," *Beijing Review*, Jul. 29, 1985, pp. 25–27.

[5]Duan Yingbi, "The Reform of the System of Unified Procurement of Agricultural Goods Further Enlivens the Village Economy," *Nongye Jingji Wenti* (Beijing), No. 3, 1985, p. 42. There are some indications that there may be a degree of recentralization of control over the price and supply of vegetables. This is in response to skyrocketing prices for these items in the urban areas. The government has demanded that suburban areas guarantee certain acreage to vegetables and that state-owned grocers control most of the sources of ordinary vegetables. A ceiling price has also been imposed for certain vegetables. Tian Jiyun, "On the Present Economic Situation and Restructuring the Economy," *Beijing Review*, Feb. 10, 1986, p. x.

[6]Specialized households are peasant households that produce one item or crop, either cash crops or grain, often under contract with collective or state companies. Within the category of *zhuanye hu* are *zhongdian hu*, "keypoint households," who were singled out for special assistance. Beginning in 1984, the designation "keypoint households" seemed to go out of use (although it is still used on occasion); they became known simply as *zhuanye hu*. There are also *keji hu*, "scientific households," that use the latest agricultural techniques and equipment. See *Zhongguo Nongmin Bao* (Beijing), Apr. 24, 1983, p. 3.

[7]A more detailed statistical breakdown shows some types (cont. p. 2)

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Not surprisingly, the shift in agricultural production and procurement patterns has affected circulation of commodities and the growth of rural industry. For example, between 1978 and 1983 the number of urban and rural free markets increased by 30 percent, from 33,302 to some 48,000; rural markets alone increased from 33,302 to 43,500 during the same period (there were no urban free markets in 1978). Volume of sales in these rural free markets increased even more rapidly, as total turnover of trade registered a 162 percent increase.[8] As for the industrial output value of rural factories, which in 1985 employed about 20 percent of the rural work force, the 1985 total was 230 billion yuan, or nearly 30 percent of the national total; this constituted two-thirds of the total value of the nation's agricultural output.[9]

The commercialization of agriculture has been accompanied by significant change in the tasks of rural government. Prior to the reforms, "the state set the plan, and the peasant fulfilled the plan." The primary work of local-level cadres was to ensure that peasants filled their assigned quotas and that the state plan was correctly implemented. Little initiative was required. What, when, and how to plant, as well as what, when, and how much to sell, were all decided at the upper levels.[10]

Much of this has changed in recent years. With the advent of the production responsibility system,[11] cadres now must oversee commercial transactions, be good managers, and most important, have the skill and ingenuity to help peasants prosper in China's new, market-oriented environment. The abolition in 1985 of the unified procurement system, the mechanism by which the government monopolized the purchase and distribution of agricultural commodities, has thrust a new responsibility upon local cadres to find markets for the peasants' crops. As a result, cadres have been appointed by the state to be the vanguard and "lead the masses to consolidate and develop the rural production system, to diversify the economy, [and] to develop commodity production, education, science, and culture."[12]

What has been slower to change is the hold cadres have on power. To be sure, the decollectivization of agricultural production has eroded much of the cadres' former power, which was based on their position within the bureaucratic hierarchy and exercised through control of resources that determined peasants' economic well-being.[13] Moreover, the centralized plan is no longer all-encompassing, and peasants have the right to engage in entrepreneurial activity, participate in the market, even leave their villages. But cadres have not so much lost power as refocused it. The personalized authority of cadres and clientelistic politics characteristic of the pre-reform period have not been eliminated; they have merely taken on a different form. Although cadres no longer can act as "local emperors"—allocating work assignments, administering work points, and regulating private plots—they are expected to take more initiative, be middlemen brokering business deals, act as entrepreneurs.

Power is now much more contingent on the skill of the cadres themselves, on their ability to manipulate local forces within the context of the reforms. Markets have mushroomed; but the markets are not impersonal. Access to opportunities or information is unequal and dispensed by cadres as a favor. Contracts are

of activity growing faster than others. Between 1983 and 1984 the number of specialized households engaged in agricultural production increased from 34.2 to 35.9 percent; those engaged in animal husbandry decreased from 32.5 to 24.6 percent; those engaged in rural industry (*wugong*) increased from 11.7 to 14.4 percent; while those engaged in transport, construction, commerce, and service trades increased from a total of 13.6 to 19.2 percent. See ibid., Dec. 11, 1984, p. 2.

[8]G. William Skinner, "Rural Marketing in China: Repression and Revival," *The China Quarterly* (London), September 1985, pp. 393–413.

[9]Dai Yannian, "Reform Logs Sound Results," *Beijing Review*, Feb. 10, 1986, p. 4; and "Rural Industries Take on Technology," ibid., p. 5.

[10]For a classic description of the "ways to get ahead and along" in China up to the mid-1960's, prior to the Cultural Revolution, see Michel Oksenberg, "Getting Ahead and Along in Communist China: The Ladder of Success on the Eve of the Cultural Revolution," in John Wilson Lewis, Ed., *Party Leadership and Revolutionary Power in China*, Cambridge, Cambridge University Press, 1970, pp. 304–47.

[11]The production responsibility system is the keystone of the post-1978 agricultural reforms that decentralized responsibility for agricultural production to small work groups, households, and individuals. A bewildering number of variations exists, but they may be summarized as systems in which contractual agreements with differential compensation according to work are made between work groups, households, or individuals for the completion of agricultural production. The two major variants of the system are the "contracting production to the household" (*baochan daohu*) and the "contracting tasks to the household" (*baogan daohu*). The former retains collective unified management and distribution of income. The household or group still works for the collective and is provided with the necessary agricultural inputs and is paid a wage for that work. The peasant household's responsibility is to manage the day-to-day production and care of the fields. The household must turn in minimum harvest at the end of the year to receive compensation in the form of work points. Bonuses are given for overproduction. The *baogan daohu* system is much closer to the system of private farming. The field is contracted to the household, and it has total responsibility for the planning and production of the harvest, with no provision of inputs by the collective. The household must sell a set amount to the state pay set fees to the collective, but then has exclusive authority over the surplus, the sale of which is its profit. For a concise summary of the different forms of the responsibility system, see Kathleen Hartford, "Socialist Agriculture is Dead; Long Live Socialist Agriculture! Organizational Transformations in Rural China," in Elizabeth J. Perry and Christine Wong, Eds., *The Political Economy of Reform in Post-Mao China*, Cambridge, Harvard University Press, 1985, pp. 31–61.

[12]Ai Zhiguo, "Party Shifts Consolidation to Countryside," *Beijing Review*, Dec. 30, 1985, p. 5; also *Nongmin Ribao* (Beijing), Feb. 5, 1985, p. 1, Feb. 7, 1985, p. 1, Apr. 9, 1985, p. 1, and Apr. 19, 1985, p. 1.

[13]For a detailed discussion of the basis of team leader power, see Jean C. Oi, "Communism and Clientelism: Rural Politics in China," *World Politics* (Princeton), January 1985, pp. 238–66.

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commonplace, but they do not necessarily protect the rights of peasants.

This essay examines the new role of local rural government[14] and its effects on cadre power and behavior. The first section describes the increasingly commercialized duties that village governments have had to undertake as a consequence of the agricultural reforms. Because rural governments perform functions akin to that of general contractor, trustee, and franchising company, as well as that of salesman and broker, for the sake of convenience and familiarity, I have chosen to use such terms throughout this essay. No other purpose is intended. The second section analyzes how the commercialization of the economy and the new tasks of rural government have affected local-level cadres, their image, skills, and road to success.[15]

New Duties of Village Government

General Contractor. The responsibility system has transformed the primary function of village government from that of implementer of government policy and manager of agricultural production to that of general contractor of collective property. While individual households have become the basic unit of production, the means of production—most important the land—remains collectively owned. The task of rural government is to oversee the allocation of contracts to individuals or groups of peasant households who thereby gain the right to work this property.

Under the initial terms of the responsibility system, village cadres evaluated each piece of land and distributed the land on an equitable basis. Once the land was divided, they managed the contracts and saw to it that village members paid their various fees and taxes to both the state and the collective. As the reforms took root, however, local governments had to contend with a complex and somewhat contradictory set of circumstances with regard to land. In some areas, particularly where sideline production and small-scale local enterprises had developed rapidly, there was a significant movement away from agricultural production to nonagricultural enterprises and sidelines. Indeed, according to official statistics, by the end of 1985, township enterprises had absorbed some 60 million surplus farmhands.[16]

This trend is expected to grow. According to leading economist Xue Muqiao, in highly developed areas such as Wuxi, in Jiangsu Province, 40 percent of the rural labor power is engaged in industrial production, with almost every family in the area having at least one member working in a factory.[17] And Du Runsheng, director of the Rural Development Research Center of the State Council, has announced that the state plans to have transferred over 50 percent of the surplus labor from agricultural production to nonagricultural departments by the end of the century.[18]

The lure of nonagricultural jobs is higher income. Statistics from different areas show varying degrees of disparity between fieldworker and rural factory worker. In one village, notes a March 1985 *Nongmin Ribao* (Peasant's Daily) report, those who worked in the fields earned 240 yuan per year, while those who worked in a village paper factory earned 600 yuan.[19] Another, more recent report, presumably more general in scope, states that a peasant earns less than 1,000 yuan from work in the fields, while one who works in the local factories earns 3,000 yuan a year.[20] Regardless of the precise numbers, the difference is substantial.

The possibility of higher incomes combined with the low profits and the high costs of farming, particularly grain production, have resulted in a surplus of land in parts of China.[21] In areas where sidelines and nonagri-

[14]The reforms resulted in the break up of the commune system and the abolition of the administrative units known as commune, brigade, and production team. The new system often consists of these same units, but with different names and somewhat different functions. The commune system had served as the locus of local power, integrating politics, administration, and economics into one unit. The new system divides these functions among several institutions. Party committees handle party affairs; townships handle administrative and government functions. Economic affairs are usually managed by collective economic entities. For the most part, the commune is now known as the township (*xiang*) and the brigade is called the village (*cun*). Some areas still call the groupings below the village "production teams," other areas call them production groups or village small groups. For a discussion of the reorganization of local government in the countryside, see Frederick W. Crook, "The Reform of the Commune System and the Rise of the Township-Collective-Household System," in US Congress Joint Economic Committee, *China's Economy Looks Toward the Year 2000, Vol. 1: The Four Modernizations,* Washington, DC, US Government Printing Office, 1986, pp. 354–75.

[15]The research on which this paper is based consists of published material and interviews that I conducted with peasants and cadres. Some interviews I conducted in Hong Kong in the summer of 1984 with recent émigrés from China; other interviews I conducted in China while on visits to rural areas during the summers of 1984, 1985, and 1986.

[16]"1985, 1986 and Beyond. . . ," *Beijing Review,* Jan. 6, 1986, p. 4. At the end of 1984, 50 million peasants were employed in rural factories. See "Rural Industries Take on Technology," in ibid., Feb. 10, 1986, p. 5.

[17]Xue Muqiao, "Rural Industry Advances Amidst Problems," ibid., Dec. 16, 1985, p. 18.

[18]Ibid., June 24, 1985, p. 17.

[19]*Nongmin Ribao,* Mar. 23, 1985, p. 2.

[20]"Rural Industries Take on Technology," *Beijing Review,* Feb. 10, 1986, p. 5. It is unclear whether these are national averages or when these figures apply. Working in local factories has always been a coveted position in the Chinese countryside. See Jean C. Oi, "State and Peasant in Contemporary China: The Politics of Grain Procurement," Ph.D. diss., University of Michigan, Ann Arbor, 1983.

[21]On the high costs and low profit of grain farming see Jean C. Oi, *State and Peasant in Contemporary China,* forthcoming, Ch. 8.

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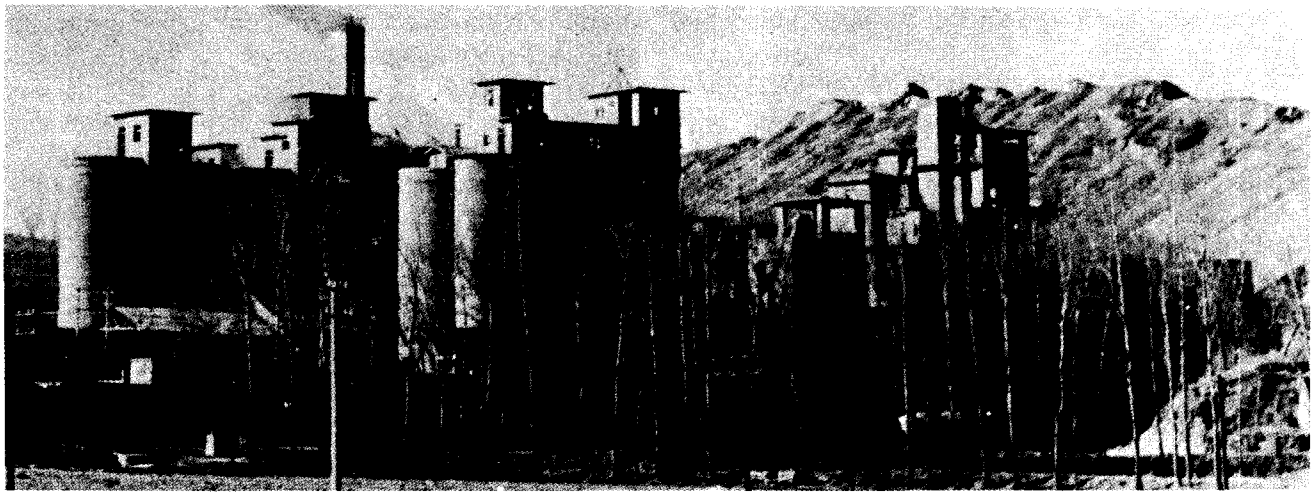

A township cement plant in Huairou County, near Beijing.

—***Beijing Review*, May 13, 1985, p. 2**

cultural jobs are booming, peasants want to dispose of or at least decrease the amount of land they had originally contracted for under the responsibility system. A survey of one county in Jiangsu, for example, found that 475 households out of 1,266 said that they wanted to reduce the amount of land they had contracted—a request that if granted would reduce the land under contract by 11.7 percent. Only 81 households said that they wanted to contract more land, and only for an extra 116 *mu* at that.[22]

In response, some local village and township governments have set up "land transfer companies" (*tudi zhuanbao gongsi*, literally "land contract transfer company"). These companies take over farm land that has been returned to the collective by peasants who no longer wish to cultivate it. Peasants who return their land still must pay monthly their assigned share of the collective public-welfare fund.[23] In return, the company allows them to buy a set amount of grain rations at the state price. The company then contracts the land to a third party, known as "expert cultivators." These cultivators work the land, receive a parity price for their crop, and receive a subsidy from the company for working the land. The head of the village peasants committee doubles as the manager of these land transfer companies and supervises the execution of the contracts.[24]

Some village governments have allowed, and in some cases promoted, the concentration of landholdings by specialized households. A few households, or in some cases even only one peasant or household, have been granted contracts to farm all of a village's arable land, particularly for the cultivation of grain.[25] A survey conducted in 1984 in two villages just outside Beijing, for example, found that 16 expert tillers, constituting 11 percent of the villages' total labor power, contracted to farm 94 percent (1,030 *mu*) of all the grain land.[26] In a village in Liaoning, 18 households contracted to farm 5,000 *mu* of land; one household alone contracted 600 *mu*.

Such large grain specialized households bring to mind the managerial farmers of pre-1949 China.[27] The households farm the land themselves and hire laborers during the busy season to help them work the fields. Most of these hired hands are fellow villagers.[28] The difference is that today the land remains the property of the collective, and the specialized household that runs the farm must pay an annual fixed levy to the collective as well as tax to the state.

[22]Jiangsu Province Jintan County Agricultural Works Department, "New Problems and New Measures," *Nongcun Gongzuo Tongxun* (Beijing), No. 11, 1984, p. 30.

[23]In an example from Hebei, the monthly cost was 3 yuan.

[24]See, e.g., "Methods to Concentrate Land in the Hands of Expert Tillers," *Nongcun Gongzuo Tongxun*, No. 8, 1984, pp. 14–15.

[25]In one case, four women contracted all of the village's land. *Shanxi Nongmin* (Taiyuan), Nov. 20, 1984, p. 2. In another case, one household contracted all 167 *mu* of a village's land. See *Zhejiang Ribao* (Hangzhou), Mar. 29, 1985, p. 2. Also see *Zhongguo Nongmin Bao*, Dec. 6, 1984, p. 1, which reports a case where only 31 out of 220 households (14 percent) had contracted any of the village's 571 *mu* of land.

[26]"Land Concentration in Various Localities," *Nongcun Gongzuo Tongxun*, No. 12, 1984, p. 33.

[27]See Philip C. C. Huang, *The Peasant Economy and Social Change in North China*, Stanford, CA, Stanford University Press, 1985, Ch. 4.

[28]In one village I visited, the hired hands received 200 yuan a month. This village was large, with over 900 households, and extremely rich. It had 27 different village enterprises, which employed one-third of the village population (1,100 out of 3,300). The land was never divided equally. When the land was first divided in 1979, it was contracted to work groups, not to individual households. It then went directly from contracting to groups to contracting to large grain specialized households. Interview in China in summer 1985.

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A variation (which appears still to be in the experimental stage) allows individual households to run family farms. From available descriptions, it appears that peasants, regardless of their native region, may contract land from any of the experimental state agricultural stations located throughout the country. The contract binds the peasant to turn over to the state a specific amount of grain and at a specific yield per *mu*. Any surplus produced on the land is the property of the peasant. Under this type of arrangement, in return for a set fee, the agricultural teams from which the land is rented provide the family farmers with access to fertilizer, insecticide, and other agricultural inputs, as well as technical and investment support. Such an arrangement is doubly attractive to enterprising peasants, since it enables them to take on potentially lucrative contracts outside their own villages. In Jiangsu, for example, a peasant from Hebei Province contracted with an agricultural station to produce a total of 27,500 *jin* of grain, with a minimum of 450 *jin* per *mu*. The peasant sold his newly built house in his home village and built another home on the land contracted from the agricultural technical team. He then was able to concentrate on grain production. He produced 100,000 *jin* of grain, which yielded a net profit of over 10,000 yuan in one year.[29]

Where industries and sidelines are well developed, some villages have turned farming into a division ("workshop," or *chejian*) within their industrial enterprises to ensure that grain cultivation is successfully undertaken. In this system, the agricultural and industrial sectors are merged (*nonggong yitihua*). The industrial enterprise manages agricultural production and hires peasants to work the crop land. Those hired are then given the title "peasant-workers." In practice, they are grain specialized households that work as subcontractors for the factory. Unlike grain specialized households in standard arrangements, however, their agricultural expenses are the responsibility of the factory, similar to the *baochan daohu* form of the responsibility system.[30] A set production target is established for each *mu* of land; any production above that level is the individual peasant-worker's to keep. Receipts from the sale of the fixed output of grain belongs to the collective enterprise. Not all peasants are eligible to participate in this arrangement, however. To become a member of the collective enterprise as a peasant-worker, the peasant household must already have attained the status of a commercial grain specialized household, that is, one that has contracted for more than 3 *mu* of land from its village.

An example from Jiangsu provides a detailed picture of how the factory-farm system works. Nineteen villages in one township incorporated 286 grain specialized households into its industrial enterprises to work 946 *mu* of land. In one of the villages, 16 grain specialized households, each of which had previously sold more than 3,000 *jin* of grain annually, became part of the village enterprise system as its specialized agricultural workers.[31] The local factory set minimum production at 1,300 *jin* of grain per *mu*. The collective enterprise paid each peasant-worker 80 yuan per *mu* to cover costs for inputs and 160 yuan per *mu* for wages. The peasant was liable for any extra expenses and was solely responsible for meeting production targets. The receipts from the sale of the 1,300 *jin* of grain, as well as any subsidy the peasant-worker may have received from the commune, went to the collective enterprise; all surplus grain was the property of the peasant-worker. The enterprise paid the collective 12 yuan per *mu* for the agricultural tax, and 8 yuan per *mu* to the team for the collective's public-welfare and accumulation funds.[32]

A similar system pays peasant-workers a salary equal to the average wage of local factory workers and provides a set bonus for every 100 *jin* increase of output per *mu* of land. To encourage local peasants to continue to work the land, one village supplemented fieldworkers' earnings by assuming the costs of water, electricity, the agricultural tax, as well as such other expenses as family planning and education fees. In addition, its factories paid peasant-workers a supplement of 81 yuan for each *mu* of cultivated land.[33]

Regardless of which of these methods is used, the trend indicates a desire on the part of the state to concentrate landholdings (usage) and increase the number of specialized households.[34] Specialization is seen as a healthy and efficient use of land. For one

[29]"Methods to Concentrate Land in the Hands of Expert Tillers," loc. cit., pp. 14–15. For a discussion of the different types of contracting in Xinjiang of state farm land to former farm workers, see Keith Griffin, "Rural Development in an Arid Region: The Case of Xinjiang, China," paper presented at the Annual Meeting of the Association of Asian Studies, Chicago, March 21–23, 1986. The method described in this essay is not mentioned by Griffin. A *jin* (catty) is 1.1023 pounds.

[30] See fn 11.

[31]In addition to this specialized workshop within the enterprise, there were four other specialized workshops dealing with agriculture: mechanized plowing; plant protection; irrigation; and agricultural technology. These four service workshops employed over 40 peasants who worked on a responsibility system based on quotas and bonuses.

[32]"Methods to Concentrate Land in the Hands of Expert Tillers," loc. cit., pp. 14–15.

[33]*Nongmin Ribao*, Mar. 23, 1985, p. 2.

[34]Another method is for peasants to enter into voluntary cooperative farming (*lianhu lianpian, jizhong gengzhong*). They jointly farm adjacent plots of land or jointly contract a large piece of land. In a county outside of Tianjin, 2,368 peasants formed 582 small groups to farm 21,585 *mu* of land. See "Methods to Concentrate Land in the Hands of Expert Tillers," loc. cit., pp. 14–15.

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thing, it enables local governments to merge the many scattered plots that resulted when the land was divided equally among villagers under the initial terms of the responsibility system.[35] For another, argue some Chinese economists, it is the only way to achieve diversification of the rural economy.[36] In its efforts to develop commodity production, the government, while concerned about the potential for disparities in income, has supported this position by initiating regulations that give the various types of special-status households privileged access to larger amounts of state-priced inputs, including chemical fertilizer, animal feed, and loans for enterprise expansion.[37] Moreover, the government has linked access to particular inputs to different types of commodity production. Specialized households engaged in secondary food production, for example, are provided with grain ration coupons so that they will be free to concentrate on their specialty production. And those who raise geese are given ration coupons to buy state-priced grain, which frees them from having to grow their own. Grain specialized households, on the other hand, are provided bonuses of such inputs as low-priced high-quality fertilizer.

At the same time, a counter current exists. In more than a few cases, peasants have complained that they have not been given enough land to contract and farm. Reports of such a problem became especially evident after the promulgation of Central Document No. 1 (January 1984), which among other things extended the length of contracts, and hence a peasant's right to lease land, to at least 15 years and generally encouraged specialized farming.[38] In response, some cadres created large specialized households, such as 10,000 *jin* producing specialized households, by arbitrarily reducing the already meager holdings of other peasants in the village.[39] One particularly poignant story told of a woman who was given so little land that her family did not even have enough to eat. Her family of six, five of whom were legally eligible for land, should have been allowed to contract 12 *mu* of land. But they were allowed to contract only 4.5 *mu*—poor and out of the way pieces of land at that. She pled her case up the bureaucratic hierarchy—from the commune to the township to the district and finally to the county, 28 times in all—but was turned away at each level, even in the cold and rain of night, without so much as the loan of a flashlight to help her back to her village.[40]

Franchising Company. Decollectivization of agricultural production has given rise to other innovative uses of collectively owned property, in particular the contracting out of entire enterprises and various pieces of equipment, as well as of forest land, orchards, and fishponds. Under many such arrangements, the village acts like a franchise company that sells a certain individual or individuals the right to operate the company's property or business. The village retains ownership and has the right to conduct periodic inspections. If the original terms of the agreement are not met or if the quality of the performance of the franchisee does not meet the agreed-upon standards, the contract can be taken away. However, so long as the terms of the contract are met, the franchisee maintains autonomy in running the business, has access to whatever help the village may wish to give, and retains rights to the profits.

Specifics vary, but generally two types of methods for payment to the collective dominate. In one type of arrangement, the village sets a fixed rent for the term of the contract for the use of the piece of equipment, orchard, or fishpond. The contracting peasant household is obligated to pay the agreed-upon fee. After the rental to the collective is paid, all profits accrue to the household contractor. In the other type of arrangement, the village uses a floating rental fee, which is usually calculated as a percentage of profit. For example, a village may set the fee at 2 percent of whatever profit a peasant household may earn from the goods produced at the factory under franchise. Once the 2 percent fee is paid, the household is entitled to keep the remainder. The floating rate is more common for those enterprises or pieces of property whose potential profitability is uncertain. According to cadres in one village, which used both systems, peasants under contract preferred the fixed rate to the floating rate.[41]

The terms of business may vary, but village govern-

[35]Cang District Party Committee, Kaiping County, Guangdong Province, "To Rationally Reapportion Land, It Is Advantageous to Consolidate Plots," *Nongcun Gongzuo Tongxun*, No. 12, 1984, pp. 32–34.

[36]See, e.g., Xu Dejun and Men Gaoyu, "Some Unresolved Problems in the Implementation of Contract Grain Procurements," ibid., No. 4, 1985, pp. 33–34.

[37]For a description of the distribution of agricultural inputs, see Jean C. Oi, "Peasant Households Between Plan and Market: Cadre Control over Agricultural Inputs," *Modern China* (Berkeley), April 1986, pp. 230–51.

[38]For a translation of Central Document No. 1, see "Circular of the Central Committee of the Chinese Communist Party on Rural Work During 1984" (trans. by R.F. Ash), *The China Quarterly*, March 1985, pp. 132–42. The political and economic implications of the document are explored in four commentaries that accompany the translation, in ibid., pp. 104–31.

[39]See *Zhongguo Nongmin Bao*, Mar. 6, 1984, p. 3. Also see "Uphold the Mass Line in the Reapportionment of Land," *Nongcun Gongzuo Tongxun*, No. 11, 1984, p. 29.

[40]"One Peasant Woman's Tearful Complaints," *Nongcun Gongzuo Tongxun*, No. 11, 1984, p. 40. There are also reports that some villages systematically discriminate against women on the amount of land they may contract. See *Nongmin Ribao*, June 26, 1985, p. 1.

[41]Interview in China, 1985.

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ments are finding themselves in the position of rental or sales agents. They have in essence become "socialist landlords" and franchise companies, dictating the terms of land contracts and selecting tenants who can have the privilege of running the former collective property. In the case of land, numerous examples culled from the Chinese press and from official pronouncements point to the increasing specialization of production and concentration of holdings. They also suggest that equality of distribution is no longer the prime objective of agrarian reform in China; in fact, land allocation is becoming increasingly commercialized. What is significant in the contemporary Chinese case is that this commercialization is not necessarily accompanied by the usual de-personalization associated with land distribution in pre-1949 China.[42] In some regards, the allocation of land has become increasingly a power resource of village cadres who, because of the move toward specialized production, have greater leeway to lease land based on such objective criteria as demand, profitability, and efficiency of use. But the arbitrariness with which some cadres have taken land away from some peasants and given it to others, supposedly in the name of efficiency, suggests that cadres also invoke subjective criteria such as particularistic relationships and personal profit.

A barrage of articles in the Chinese press on cadres afflicted with envy (*yenhong*—"red eye disease"), who demand profits or even shares in lucrative enterprises and arbitrarily break contracts, is a further indication of the personal control many cadres have come to wield.[43] According to numerous accounts, some local cadres try to take as much of the profit as possible, regardless of the terms of the original contract. They break contracts when they see that the contractor is making large profits, and in some cases, as when the father of the household dies, they may invalidate contracts because the "original" contractor is no longer present.[44] Some cadres upon coming to office have even declared that contracts made under their predecessors are no longer valid.[45] Specialized households engaged in lucrative endeavors such as fruit growing or fish raising, or those operating a once collectively owned enterprise, are favorite victims.[46]

Brokers and Middlemen. Loosening centralized planning and abolishing unified procurements in favor of price and market mechanisms are perhaps the most far-reaching of the reforms. The government's shift in policy for the circulation of goods in the economy has fundamentally altered the relationship between state and peasant. The state no longer simply relies on coercive or administrative means to secure needed

A peasant family on a commune in Linqing County of Shandong Province buys three sewing machines after selling cotton to the state.

—Eastfoto.

supplies of commodities. But the state has not abandoned procurement targets or centralized planning; it has merely changed tactics. To entice peasants to sell their goods to the state, prices have been raised and consumer goods have been made more available for purchase.[47] This has produced a hybrid economy of semi-planned production along with participation in

[42]See, e.g., Huang, op. cit., Ch. 12, for a description of how commercialization was paralleled by the impersonalization of land transactions in the pre-1949 period.

[43]See, e.g., *Renmin Ribao*, Jul. 19, 1984, p. 3; *Zhongguo Nongmin Bao*, Feb. 22, 1983, p. 2; Apr. 14, 1983, p. 2; Mar. 11, 1984, p. 3; and Jan. 19, 1984, p. 1.

[44]"Are Responsibility Contracts Inheritable," *Nongcun Gongzuo Tongxun*, No. 11, 1984, p. 32.

[45]*Nongmin Ribao*, Mar. 30, 1985, p. 3.

[46]Ibid., June 14, 1985, p. 3; *Guangdong Nongmin Bao* (Guangzhou), Sept. 9, 1984, p. 1.

[47]See Oi, *State and Peasant in Contemporary China*, op. cit., Ch. 8, for a detailed discussion of the changing nature of peasant-state relations with regard to the sale of grain.

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the free market, a system officially referred to as a "socialist planned commodity production economy."

Village governments are at the center of this system. Local-level cadres allocate opportunities offered by the state and to a significant degree channel those on the open market. Village governments are responsible for overseeing the implementation of the state's contracting system for top priority items, such as grain and cotton, and for helping peasants find buyers for their surplus on the open market. The end result is that village cadres have been thrust into the position of economic middlemen and sales brokers. They find themselves in the position to decide who will get what contracts and therefore who will have access to plum sales opportunities. The evolving role of local governments as middlemen and brokers in the state contract system is nowhere more evident than in the allocation of grain contracts and in the brokering of business deals on the open market.

State grain contracts. Under the present system (which was instituted in 1985), on April 1, at the beginning of each grain year, state contracts (*hetong dinggou*) take effect for the purchase of fixed amounts of grain. Each year, the state decides how much grain it will purchase and then signs contractual agreements with peasants for the purchase of that amount. The peasant receives guaranteed prices for his crop and access to fixed amounts of low state-priced inputs. The contracts cover the procurement of rice, wheat, and corn, as well as soybeans (from the six designated primary production regions—Liaoning, Jilin, Heilongjiang, Nei Menggu, Anhui, and Henan). (If cereal crops other than those listed are the major staple crop of a particular area, similar contracts also can apply to them.)[48] The remaining grains and cereals (some 20 percent of total grain production in 1983 and 1984), although formerly procured by the state, must now be sold by peasants on the open market.[49] The favorable terms of state contracts and the security they offer in the face of increased production—which has increased competition and made it more difficult to sell crops—have made state contracts coveted opportunities. In sharp contrast to the previous period when peasants resisted grain procurements by the state, in the last few years peasants have vied with one another to sell their surplus to the state.[50]

The term "contract procurement" should not, however, be read as a voluntary, open, and direct market agreement between the peasant and the state. State quotas still have to be met, and cadres from local and higher levels have been organized into work teams and sent to villages to oversee operation of the new system. In Heilongjiang, for example, some 27,000 cadres, including those from the county, district, and township level, went to promulgate Document No. 1 (1985) and sign contracts with the peasants.[51] In Shanxi's Yanbei region, 1,000 cadres were organized into special work teams for half a month before spring planting in order to negotiate contracts with the peasant households. The cadres' work was guided by the party organization and corresponding government bodies at each level.[52]

Each village is allotted a certain procurement target, or what is now officially called a recommendation. This "proposed figure" is based on the county's and the township's estimate of an area's ability to adjust and diversify production. In Jiangsu, a survey was taken of the previous year's grain production conditions in each township, village, and household. Village cadres discussed these recommendations and worked out how to divvy up the target; the parcelled targets were then sent to individual households, who in turn signed individual contracts directly with the grain bureau.[53]

Here, too, the village government acts as a general contractor. It takes the recommended target sent from the township and subcontracts out specific quotas to individual peasant households. The total of the individual peasant contracts have to tally generally with the targets sent down from the upper levels. How large of a contract each peasant should get is determined by official evaluation of a peasant's past performance and future potential.

In one area, cadres used statistics from the past three years to help peasants decide on an appropriate contract amount.[54] Elsewhere, in Sichuan, officials took 1984 grain sales as the base year. Those who had

[48]*Nongmin Ribao,* Mar. 30, 1985, p. 2. A similar contracting system exists for oil groups, including cotton, rapeseed, humazi, peanuts, sesame, and yellow mustard seed. See *Shanxi Nongmin,* Feb. 12, 1985, p. 1.

[49]*Nongmin Ribao,* Jan. 30, 1985, p. 2. The state still provides peasants with a safety net. If the free market price of grain falls below the basic procurement price, the state will buy the peasants' grain at the base price. For details of the grain contracting system, see Jean C. Oi, "Peasant Grain Marketing and State Procurement: China's Grain Contracting System," *The China Quarterly,* June 1986, pp. 270–90.

[50]At least this was the case until recently, when a significant drop in grain production occurred. Interviews I conducted in China in the summer of 1986 indicate that in some areas the state is again having difficulties fulfilling its quotas.

[51]*Jingji Ribao* (Beijing), Apr. 4, 1985, p. 1.

[52]"Various Methods for Grain and Cotton Contract Procurements," *Nongcun Gongzuo Tongxun,* No. 5, 1985, pp. 38–39.

[53]The township economic management station (*jingguanzhan*) is directly responsible for the contracts, while the township government supervises and notarizes the transactions. The township grain station and economic management station also have a contract. The grain bureau pays the station .15 yuan in handling fees for each household contract. Ibid.

[54]*Zhejiang Ribao,* Mar. 17, 1985, p. 1.

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been able to diversify production (and produce other types of crops) were allowed to sell less. Those who had not been able to diversify had to sell the same amount as in 1984; those who had surplus grain could sell more. Those who planted less than 5 fen of land did not need to sell any grain at all.[55] Elsewhere, county, district, and township government organs and grain departments organized work teams to carefully examine available current statistics and village account books before peasants were allowed to make contracts. The township cadres then assessed contract pledges and tried to achieve an overall balance between what the peasants wanted to sell and the recommended target.[56]

In Hunan, a meeting of the village (production) group heads was called to discuss the planned procurement target, which had been sent down by the township government to the village.[57] A proposed target was given to each production group, according to its production conditions. Each production group then called a meeting of its household heads to announce the proposed targets. It then let each household pledge the amount and crop it would sell. The village contracts had to total the proposed target for the group, but households could decide among themselves who would sell what and how much.[58]

The contract system was instituted to invigorate the circulation of grain in the economy, promote the diversified use of grain, and rationally adjust the organization of agriculture. In theory, peasants were to decide what to plant based on price and sales targets and contracts.[59] But peasants, authorities say, are confused and uncertain about how much to contract,[60] and it is unclear what happens if a peasant wants to sell more or less than the cadres think appropriate. There is even debate as to whether they should take part in direct negotiations with the state for their contracts or whether representatives should be appointed to negotiate on their behalf.[61] What appears on the surface as a straightforward, voluntary business arrangement is in fact open to cadre manipulation. Indeed, the spirit of the contract system is being undercut in many areas by the "commandism" and particularism still practiced by those charged with implementing the program. Some local cadres ignore the spirit of negotiation in the reforms and simply continue to use the old quota system, telling peasants how much they must sell to the state. Others use the notification slip, which informs each household of the quota it owes the state, as the peasant's "contract."[62] Finally, some cadres distribute the contract procurement target equitably according to acreage or to population, without consultation with the peasants.[63]

Opportunities on the open market. For much of the period since 1949, participation in the free market has been something that peasants could do only illegally. Yet, now that the state has reversed itself and has encouraged peasants to participate in the market, peasants are finding it less than an ideal situation. A major problem is their lack of information about market demand and prices.[64] "Trade/exchange bulletin boards" with news of opportunities, supplies, and other information useful for sellers and buyers have appeared in the last few years.[65] These, at least in theory, promise wider public access to information and market opportunities. At present, however, many peasants depend almost exclusively on their local cadres for information and sales opportunities.

Collectives and sometimes large specialized households employ sales and procuring agents. These people function like purchasing agents (*caigouyuan*) in factories, who scout the country for needed parts and supplies. In the countryside, the agents buy supplies, make contacts, and find buyers. These people, who may number more than 10 for a village, specialize in finding *menlu* (opportunities). They are paid on something like a commission basis, their total wage being dependent on how much business they can bring in for the village. (In one village their base salaries ranged

[55]"Various Methods for Grain and Cotton Contract Procurements," loc. cit., pp. 38–39.

[56]Ibid.

[57]The (production) group (*zu*) is the division below the village.

[58]In Zhejiang, a similar type of meeting was called of the household heads to help them decide on the amount they would contract to sell. Again village cadres were organized, including the team accountant, to review each household's production situation, before the contracts were signed. "Various Methods for Grain and Cotton Contract Procurements," loc. cit., pp. 38–39.

[59]See, e.g., *Nongmin Ribao,* Mar. 30, 1985, p. 2.

[60]Ibid., May 6, 1985, p. 2. Also see "Various Methods for Grain and Cotton Contract Procurements," loc. cit., pp. 38–39.

[61]For details of this debate, see Oi, "Peasant Grain Marketing and State Procurement," loc. cit.

[62]See, e.g., *Nongmin Ribao,* Feb. 12, 1985, p. 1; and Village Work Committee of the Weifang Party Committee, "Treat the Signing of Procurement Contracts as an Important Matter," *Nongcun Gongzuo Tongxun,* No. 4, 1985, p. 37.

[63]See, e.g., *Shanxi Nongmin,* Apr. 12, 1985, p. 1.

[64]Of the 14 percent of the country's peasants who still live in poverty and depend on social welfare and state loans, one of the major problems hindering the development of their rural economy was "lack of timely and accurate market information for farmers." See "PRC State Statistical Bureau Survey Shows Peasants' Improved Lot," trans. in Foreign Broadcast Information Service, *China Report: Political, Sociological and Military Affairs* (Washington, DC—hereafter *JPRS-CPS*), No. 85-110, Oct. 28, 1985, p. 40.

[65]See, e.g., *Renmin Ribao,* Jan. 30, 1985, p. 5; *Guangming Ribao* (Beijing), Oct. 29, 1984, p. 1. Banks have even begun to provide this service. See *Renmin Ribao,* Jan. 14, 1985, p. 2.

[66]Hong Kong interview and China interviews 1985.

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from 200–300 yuan to 400–500 yuan.)[66] The business and opportunities they bring back for the village is then managed by the village economic entities, the economic side of the village leadership.[67]

Although peasants are now free to participate directly in the free market, the unpredictability of prices as well as the limited amounts that can usually be sold on local markets makes contract sales of various types preferable. Some of the most lucrative contracts are those with agricultural production sales centers, where products are grown, processed, and sold. This type of arrangement is particularly attractive because it provides all supplies and inputs needed for production. For example, peasants who have a contract through a production sales center to raise *sanhuangji,* a type of chicken popular on the Hong Kong market, are given a cash loan and all necessary production materials. The state, in essence, makes the investment and contracts out the production.[68]

The problem for most peasants is that purchasing cooperatives and state companies seldom deal with small individual producers. Large specialized households are in a much better position, but ordinary peasants usually must go through their village cadres. Before the reorganization, communes and brigades would apportion contracts to their production teams, which in turn assigned quotas to individual households. Now the economic companies in the village and township do the brokering. Some teams and peasants are denied opportunities because of technical considerations or apparent lack of ability; other times it is simply a matter of cadre discretion. Villages themselves at times also sign contracts with specialized households for certain items at a set state price. In return, the village allows the households to buy a set amount of production materials at the state price.[69] As in land leases and state grain contracts, specialized households are the prime recipients of the best opportunities.

From Cadres to Middlemen

The current tasks of rural government beckon a new breed of cadres. A successful cadre in today's new market-oriented rural economy is one who can find markets, procure low-priced high-quality agricultural inputs, arrange transport, know what to produce, have the expertise to produce high-demand items, and negotiate contracts and have the contracts remain valid. To do all these things effectively, a cadre must have the "connections" (*guanxi*) to find the opportunities (*menlu*) so that the village goods will have outlets (*chulu*). He must also have expertise and technological know-how, sources of information, access to funds, and economic management skills.

But are these skills necessarily commensurate with youth and higher education, the ideal cadre attributes currently promoted by the party? To be sure, education and technical skill are important for prospering in the new economic environment, but experience and connections are equally, if not more, crucial. For example, a survey done in Shanxi of 20,989 successful specialized households found that former team and brigade cadres or those who had been cadres at some time constituted 43 percent of those who prospered. Their success was attributed to their experience, economic management skills, and ability to absorb party policy and take quick action; no mention was made of their age or educational level. Another group who knew how to plan, how to manage, and who had a large circle of friends (read "connections") made up another 5 percent of the prosperous specialized households. Together this group of not particularly highly educated or young people made up close to one half of those who prospered in the new economic system. Those with both youth and higher education, the returned intellectuals and demobilized soldiers, made up only 42 percent of the successful households. Only if one adds those who had a specific skill or were craftsmen do they make up 51 percent of the sample.[70]

China is still an undeveloped market, with poor transportation and inadequate communication channels. In such an environment, proper *guanxi, menlu,* and *chulu,* as well as market information, may be more the preserve of the older, established cadres. They have the large networks of personal connections, which have been developed through many years of attendance at meetings and dealings with different units. One example is the sales agents, the people on whom the success of a collective enterprise or individual peasant households depends. Those who are able to find supplies, make contracts, and find buyers are often older, particularly cadres with extensive connections.[71] Contacts and enterprise are the distinguishing characteristics, not youth and education.

A recent survey in Wuqiang County, in Hebei, identi-

[67]See fns. 14 and 53.

[68]Hong Kong interview.

[69]Hong Kong interview.

[70]According to the survey, those who succeeded through illegal means made up less than 1 percent of the households. *Guangdong Nongmin Bao,* Jan. 27, 1984, p. 4.

[71]Hong Kong interview and China interviews 1985. On the importance of these people in the economic success of a village, see *Guangming Ribao,* Oct. 29, 1984, p. 2.

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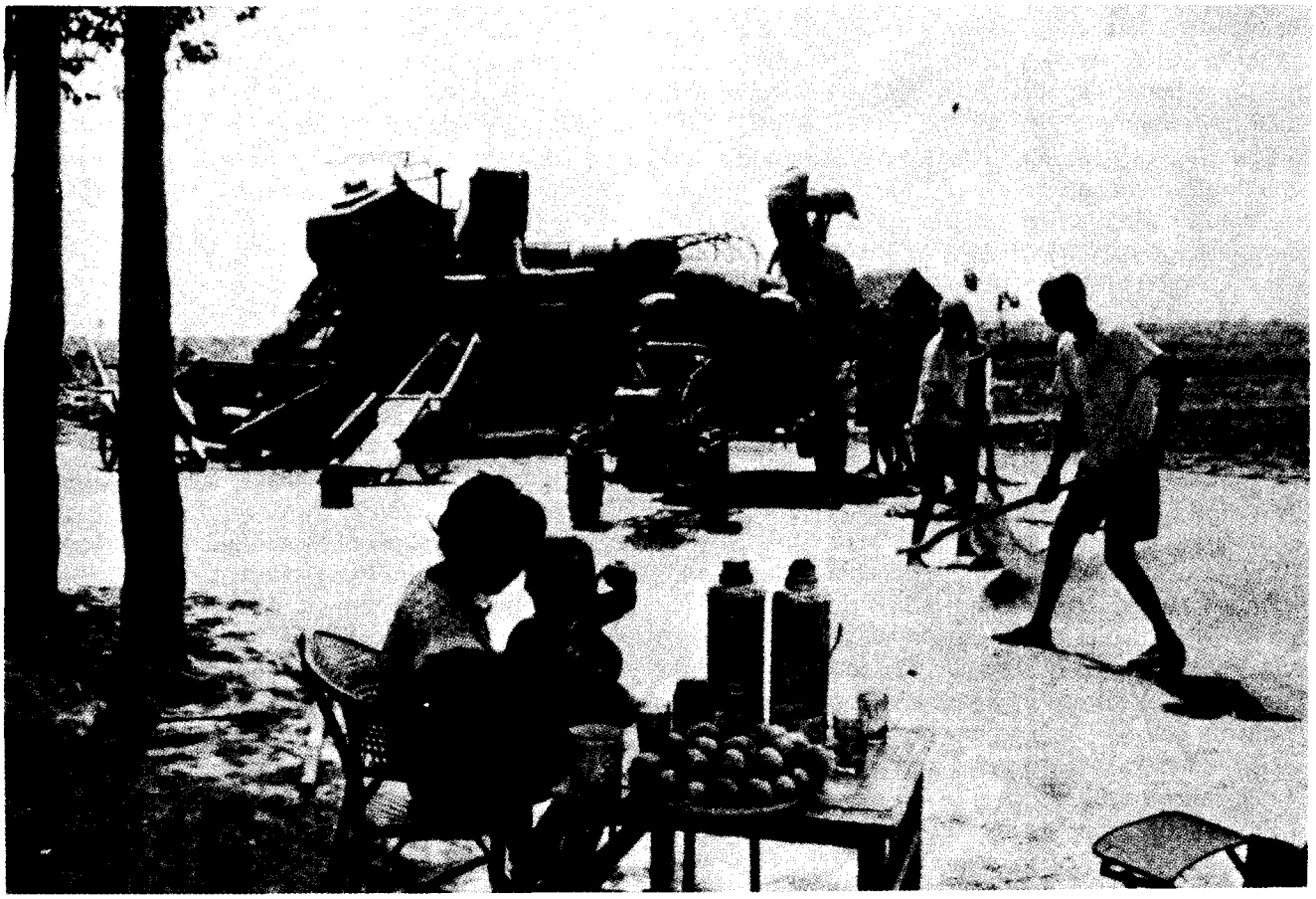

He Huaiqin winnowing some of the 130,000 jin *of wheat he harvested in the summer of 1985 from the 162* mu *of land that he had contracted from his brigade in Henan Province.*

—***Beijing Review*, Oct. 1, 1985, p. 2.**

fied six different types of problems prevalent among local-level cadres. As might be expected, cadres' advanced age and low education level, which were seen as closely related, headed the list. But the overriding concern was cadres' unwillingness or inability to be entrepreneurial, to compete in today's market environment. For example, some local cadres were said to have a "small peasant mentality," which was defined as the reluctance to break with traditional agricultural pursuits, such as grain production, and seek diversification of production to take advantage of the need for commodity production. Others were said to be "closed-minded"—they did not understand the market, nor did they have either information or expertise. Some were called shortsighted, literally as having a "mender mentality"—for they only did what they had to, fixed only what was needed and no more. This type of cadre lacked a long-range view. Then there were the cadres who wanted to maintain the status quo, and not rock the boat, not want to take responsibility.[72]

New Measures of Cadre Success

The bias toward entrepreneurial success is further reflected in the way that cadres are rewarded. The current road to economic and political success for local cadres is closely tied to their ability to foster business activity and make profits. Salaries of cadres consist of both a base pay and a bonus wage. In the model Aiguo Brigade in Shandong, under the *baogan daohu* form of the responsibility system,[73] the party branch secretary, brigade head, and accountant each receive the same base salary (360 yuan in 1982). Their total annual wage, however, is calculated according to

[72]There was also the problem of cadres being out for themselves. *Nongmin Ribao*, Jan. 15, 1985, p. 3.

[73]See fn 11.

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bonuses earned and penalties assessed for the fiscal year. (In 1982, they overfulfilled their grain quota and met their other responsibilities, and each received a total of 443 yuan.)[74]

More recently, in areas where sideline occupations and rural industry are flourishing, the base salary of the economic head of the collective company or the head of the village may be doubled or tripled by bonuses depending on profits of the collective. In one relatively rich village in Liaoning, where only 5 percent of the village was engaged in agriculture production, the base salary of the village head and economic manager of the collective enterprises was set at 700 yuan by the township government. In 1984, the total salary of each was 3,500 yuan.[75] The difference between their base and total salaries came from bonuses received for overquota performance and profits for the village.

The bonus system applies to political as well as to economic work. A village head can be fined, for instance, if certain party policies, such as birth control, are not implemented correctly.[76] Accurate accounting, as well as compliance, are ensured by investigation work teams, which are sent quarterly to check on implementation and decide how much the cadre should be paid.[77]

Praise from superiors likewise comes with successful development of specialized households, scientific households, and special-status households of various types. Cadres strive to be models, to earn the title of head of "the village with the most specialized households," the "best . . . village," "the village to make the most advancement in commodity production," and so forth. The village gets recognition and special allotments of inputs as a reward, and the cadres get praise and bonuses.

Not surprisingly, some cadres have falsified statistics in order to receive rewards and bonuses. For example, in Hunyuan County, in Shanxi, an investigation work team uncovered a number of such falsification schemes. The problem began when it was decided that a village party branch head would receive a bonus of 100 yuan if his village qualified for the title "the best in the township." A number of villages claimed such status, but when the work teams were sent to verify the statistics, numerous irregularities were discovered. One so-called *"fanfan"* village (i.e., one that has doubled its income) reported that the average income of its peasants had doubled, from 380 to 760 yuan. In fact, the average income of peasants in that village had already reached 508 yuan the previous year. Moreover, among the village's 12 so-called "commercial grain specialized households" (i.e., those with large grain production capable of selling large surplus to state), there were six households whose production did not even equal the minimum set for the district. There were also two households who over-reported their income by 27 percent and by 14.4 percent in order to qualify as "the best in the township."[78] And in Hubei, a manager of a tile and brick factory altered his books, changing a 170,000 yuan loss into a 40,000 yuan profit in order to receive his share of the profit from the collective's capital funds.[79]

Just as cadres under collectivization often over-reported grain production and made unrealistic sales pledges, cadres now feel pressure to report successes in the development of commodity production. Regardless of whether this is done because of the cadre's personal greed or because of pressure to demonstrate compliance with directives from upper levels, peasants are once again paying the price. Cadres have reportedly forced undeveloped areas to become commodity producers, sometimes using questionable administrative measures. The example cited earlier of cadres arbitrarily creating large grain specialized households is but one example. Other reports reminiscent of the Great Leap Forward period (1958–59) show that some cadres still report good harvests when in fact the area has suffered disaster. In one such case, which occurred before the unified procurement system was abolished, peasants even had to buy grain on the open market in order to fulfill

[74]Penalties were limited to 25 percent of the base pay in order to guarantee the livelihood of the cadres. "Specialized Contracts, Distribution According to Tasks Contracted: An Investigation of Aiguo Brigade," *Gongshe Caiwu* (Beijing), No. 2, 1983, pp. 9–12.

[75]This was a relatively rich village. The estimated average total income of peasants in that village for 1985 was expected to be 1,200 yuan, which was an eight-fold increase over 1977.

[76]In an interview with a village head, I was told that a cadre would be fined if one of the peasants did not follow policy and had a second child. The fine was a hefty 300 yuan. He was quickly silenced and contradicted, however, by the village economic manager, who interrupted and denied that there was any such penalty for violating the birth control policy. My sense was that in fact the village head knew very well what he was talking about. Whether the 300 yuan figure is correct or not, the point is that a bonus system has been instituted in administration of party policies as well as in economics. This gives cadres added incentive to enforce state policies strictly.

[77]Interview in China 1985.

[78]*Nongmin Ribao,* Feb. 26, 1985, p. 2. Another report of bogus commercial grain producing households describes how peasants and cadres can falsify their status. In a village in Shanxi, Wuxiang County, two out of the three reported 10,000 *jin* grain sales households were fakes. One of the households actually did sell 12,376 *jin* of grain to the state, but it only had produced 9,270 *jin*. What it did was illegally buy grain from the state and then re-sell that same grain back to the state at premium prices. The household used the grain it bought at the low state price to pad its production and then benefit from the new price structure, which gives peasants a premium overquota price for 70 percent of their sales. Ibid., Apr. 13, 1985, p. 1.

[79]*JPRS-CPS,* No. 85-105, Oct. 15, 1985, p. 62.

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their minimum grain responsibilities to the state.[80]

As in the past, the guilty include not only the lower level cadres, but those at higher levels as well. A leading cadre at the district level was honored and given a bonus for his efforts in making his district into an "advanced agricultural district." Later, however, it was discovered that he had falsified grain production statistics and inflated the number of deaths in his district in order to show a low birth rate for his area.[81] The severity and prevalence of these crimes is reflected in the various circulars that have come out on the importance of keeping and reporting accurate statistics. They warn that "no leader may influence, persuade, or compel the statistician to change or falsify the numbers."[82]

The Cadre Network

Cadres are obviously not the only ones benefiting from the reforms. But the other beneficiaries, most notably specialized households, who have the state's blessing to lead on the road to commodity production and prosperity, are likely to have close relationships with cadres. They receive preferential treatment in the contracting of land and enterprises, and in the allocation of sales contracts. The results of this special treatment are evident in a national survey of 851 specialized households which reported their average annual income at 2,571 yuan. This is 82.2 percent higher than the average peasant income of 1,411 yuan.[83] And, of course, it is the specialized households that become the coveted "10,000 yuan households." This is not to say that others cannot become rich, but as one peasant said, "it is more difficult."[84] While regular peasants are short on supplies, specialized households, such as "scientific farming households," receive needed inputs, often at cheaper prices, sometimes paying only half the regular price.[85]

Until recently, confusion existed about who should or should not be considered "specialized households" (and therefore given the privileges due them). Only in 1984 did central authorities issue four criteria based on measurable levels of business and income to define what types of peasant households qualify as "*zhuanye hu.*"[86] In spite of the new rulings, cadres can still influence who receives special status through their allocation of contracts for land and collective property as well as sales contracts. Moreover, regardless of the definition, the success of specialized households depends to a significant degree on whether local cadres provide them both their allotted inputs for production and outlets for their goods. Government regulations allowing special access mean nothing if local cadres say that the items are "out of stock."[87]

Not surprisingly, specialized households try to maintain good relations with local-level cadres, a relationship that is both give and take. Peasants, even those who have prospered, realize that alienating their local cadres may cost them more than it is worth. Indeed, envious cadres have the ability to "milk" 10,000 yuan households for considerable sums of money. Local cadres can arbitrarily assess fines on peasants for everything from being late to meetings to not correctly studying a directive.[88] They can also give peasants "small glass slippers to wear [that don't fit]"—in other words, make things extremely difficult through indirect and subtle but nonetheless effective means. Consequently, peasants say that it is better to give a little to save themselves from losing a lot. Even those peasants who have left the village must be wary, for they realize that cadres can make life difficult for their family members who still live in the village.

But the cadres' relationship with specialized households should not be interpreted as purely exploitative or coercive. Aside from the land and contracts that they can give these peasants, cadres do facilitate various bureaucratic processes, such as gaining approval for loans and getting licenses.[89] Cadres can also aid certain households by not enforcing specific policies that may be detrimental to efficient production. Nonetheless, they do monitor the activities of specialized households and have the power to decide whose goods will be confiscated or which businesses

[80] *Guangdong Nongmin Bao,* Apr. 7, 1985, p. 4.
[81] *Jingji Ribao,* Apr. 21, 1985, p. 1.
[82] See, e.g., *JPRS-CPS,* No. 85-100, Sept. 26, 1985, p. 29.
[83] *Zhongguo Nongmin Bao,* Dec. 11, 1984, p. 2.
[84] Hong Kong interview.
[85] *Zhongguo Nongmin Bao,* Apr. 24, 1983, p. 3.
[86] The four criteria are: the majority of the household's labor power must be engaged in specialized production or more than 60 percent of its time spent in conducting the business of specialized production; income from the specialized production must make up more than 60 percent of the household income; the commodity production rate of the specialized product produced must be over 80 percent (60 percent if grain); and the income from the sale of the specialized commodity must be double the average income from sales earned by other peasants in the village. Ibid., Dec. 2, 1984, p. 1. This action, no doubt, also was in response to the exaggerated number of "specialized households" reported by cadres who were looking for recognition and special rewards. See the article entitled "Seek Truth From Facts in Annual Statistical Investigations," in ibid., p. 1.
[87] On the problems of access to key agricultural inputs, see Oi, "Peasant Households Between Plan and Market."
[88] See, e.g., *Jingji Cankao* (Beijing), Apr. 23, 1985, p. 2; *Zhongguo Nongmin Bao,* Apr. 1, 1984, p. 1, and Aug. 14, 1984, p. 1.
[89] A survey of peasant entrepreneurs said that they faced problems in the following areas: applying for license or permits, stocking goods, having legal guarantee of their rights and interests, coping with irrational collection of fees and management. See *Zhongguo Nongmin Bao,* Apr. 15, 1984, p. 1.

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closed when there are infractions of the rules.[90]

It should not be overlooked, however, that it is often cadres themselves or their relatives who have gained special status and enjoy the benefits that accrue to such households. As the survey cited earlier shows, a large percentage of those who have prospered are former cadres. In a visit to a village in Liaoning, it was not surprising to find that the head of the village economic committee was also one of the most successful entrepreneurs in the area. It is clear that his position gave him privileged access to information about the sales opportunities for different products. This enabled him to run a very successful chicken farm, among other businesses, in addition to managing the collective's enterprises. His total household income for the year was 40,000 yuan.[91]

The importance of cadre support and their network of contacts is further evident in the success of heretofore poor peasant households that are taken under the wing of a cadre. It is acknowledged fact that cadres have the advantage in opportunity, information, and skill. Consequently, some township party committees and governments have decided that each township, village, and team cadre should sign a contract with at least one poor household in order to help that household develop production.[92]

An interesting question is who in the future will be the power elite in the countryside as more peasants succeed and work outside of the village and are able to provide contacts and jobs for friends and relatives. Already, kinship appears to be a strong determinant of who gets hired for jobs in private, small-scale enterprises. For example, in Liaoning, the majority of the 100 jobs in a privately run village factory were obtained through friendship or kinship ties.[93] The reforms may have diluted the power of cadres to assign positions in rural enterprises, but the labor market is still far from free.

Whether they be cadres or specialized households, those who have contacts and jobs to offer will draw a following from among those peasants who have much more limited experience of the market and its opportunities. Something that will be interesting to watch is whether a hierarchy of power will develop among local cadres. Especially important is whether a gap will develop between the power of those cadres who are in charge of more purely political matters, the so-called administrative side of government, and the economic managers of the village enterprises and companies. Beginning in 1985, some village heads and the economic managers were being judged by different standards. One can only wonder at the disparity in pay since the income brought in by the economic manager is so high. In one village, when asked what would happen, the village head and the economic manager both laughed nervously and agreed that there would be a difference.[94]

The Market and Cadre Power

The commercialization of agriculture has been equated with the penetration of markets into the peasant village and the disruption of village relations. The assumption of some is that this penetration brings more hardship for peasants and makes them more vulnerable to the state by violating the norms of traditional village life.[95] Others maintain that the emergence of markets provides increased opportunity for peasants to get out from under the hold of the village elite. They argue that village elites in fact try to keep the village a closed environment and prevent peasants from making outside contacts that might provide them with the necessary resources to resist the traditional village order. Only when it becomes clear that the market can no longer be kept out, they argue, does the elite take an active role and try to place themselves between the market and the peasants and gain power as middlemen.[96] This latter picture comes closest to the current Chinese reality.

Markets have on the whole brought positive opportunities for peasants in China. The problem for peasants has not been the disruption of the village political order. If anything that was a welcomed emancipation from the confines of a strictly planned and collectivized economy that kept them dependent on their local cadres. Peasant concern has been how best to take

[90]For an excellent discussion of the use of this type of power in the clientelistic politics of southern Italy, see Judith Chubb, *Patronage, Power, and Poverty in Southern Italy*, Cambridge, Cambridge University Press, 1982.

[91]Interview in China 1985.

[92]*Zhongguo Nongmin Bao*, Oct. 28, 1984, p. 2. This program is also stressed in Ren Jie, "Party Members Establish Ties With Household; a Good Form for Political and Ideological Work in Rural Areas," *Xuexi Yu Yanjiu* (Beijing), May 1985, No. 5, pp. 28–29, trans. in *JPRS-CPS*, No. 85-103, Oct. 4, 1985, pp. 60–64.

[93]In this case, the owners (contractors) of the factory were also former cadres, both at the brigade and team levels. Interview in China 1985.

[94]Interview in China 1985.

[95]This view is best developed by James Scott. See his *The Moral Economy of the Peasant: Rebellion and Subsistence in Southeast Asia*, New Haven, Yale University Press, 1976.

[96]See Samuel Popkin, *The Rational Peasant: The Political Economy of Rural Society in Vietnam*, Berkeley, University of California Press, 1979. Also see Joel S. Migdal, *Peasants, Politics, and Revolution: Pressures toward Political and Social Change in the Third World*, Princeton, Princeton University Press, 1974.

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Leaders of the Huanan County Fruit Company (Heilongjiang Province) study how to carry out economic reforms in their winery.

—*Beijing Review*, Apr. 29, 1985, p. 2.

advantage of the new opportunities. It is the cadres who have been concerned about the disruptive effects the decollectivization and the reemergence of the market would have on village relations. Not surprisingly, there are reports that cadres initially resisted the reforms.[97] They thought the changes would end their monopolistic power over the economic and political well-being of the peasants in the village. However, once it became clear that the reforms were here to stay, the cadres quickly and easily moved into positions as the new middlemen in the system, ready and able to broker available opportunities and gain control over as many resources as possible.

It is clear that cadres still act as a buffer between the state and the peasants. But, for peasants, that may be more of a problem than a blessing. In the current Chinese case, the state has not been particularly extractive and exploitative. In fact, in its attempts to reform the system, the government has enacted numerous programs designed to serve peasants' interests. It has provided peasants with higher prices and more opportunities for disposing their goods, and it has encouraged the use of contracts and the protection of law. At the same time, the government has not completely opened the gates and let in the full force of the market; it has not thrown out centralized planning and control. As a result, as has been shown throughout this essay, cadres have successfully appropriated the new administrative opportunities they have been assigned in order to bolster their own power. They have securely entrenched themselves as the middlemen in this transitional system that is somewhere between plan and market.

[97]See, e.g., David Zweig, "Opposition to Change in Rural China: The System of Responsibility and People's Communes," *Asian Survey* (Berkeley), July 1983, pp. 879–900; and Richard Latham, "The Implications of Rural Reform for Grass Roots Cadres," in Perry and Wong, op. cit., pp. 157–73.

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Cuban Economy in the 1980's

Jorge Pérez-López

In a series of truly remarkable speeches, beginning with his address to the Third Congress of the Cuban Communist Party (PCC) in February 1986, Cuban President Fidel Castro has expressed severe dissatisfaction with the way the Cuban economy has performed during the first half of the 1980's. At the Congress, Castro complained of organizational weaknesses, economic mismanagement, poor coordination among economic units, and lack of concern about the quality of output, and accused managers of corruption and of pursuing profits at the expense of the common good.[1] At a June national meeting on enterprise management, Castro seemed to intensify his criticisms by calling for a "revolutionary counteroffensive" aimed at rooting out the evils of incipient capitalism and consumerism and at directing the Cuban economy back to the pursuit of communist goals.[2] As we shall see below, the first shots have already been fired in this campaign: the free peasant markets have been closed, productivity bonuses have been suspended, and the private sale of houses and apartments has been prohibited. The very future of the market socialist model that has been gradually implemented in Cuba since the mid-1970's could be at risk.

If one looks only at official figures for the growth of Cuba's gross social product (GSP), Castro's critique might seem surprising. However, other economic indicators strongly suggest that the Cuban economy did experience serious dislocations in the first half of the 1980's. Even the reported high rate of GSP growth is misleading, perhaps reflecting more the impact of a sharp upward revision of Cuba's wholesale and retail prices in 1981 than real expansion in the production of goods and services. Close analysis of incomplete data reveals that output targets for 1985 were underfulfilled in the case of a broad range of agricultural and industrial products, including some key export commodities such as sugar, nickel, and citrus products. Indeed, the underlying ills of the economy were particularly evident in the external sector, where imports grew at a faster rate than anticipated and outstripped export growth, leading to a further deterioration in the country's balance-of-payments and foreign debt situations.

The Third Congress was presented a draft of a five-year plan for 1986–90 containing nothing very new or revolutionary and projecting growth of GSP comparable to that originally planned for (and hence less than that reportedly accomplished in) 1981–85.[3] However, surprisingly, the congress did not formally approve a 1986–90 economic plan, apparently reserving that action for a subsequent meeting of congress delegates to be held at the end of 1986 (by which time the "five-year" plan will have become a "four-year" plan). This unusual occurrence is symptomatic of a dynamic process of review of economic institutions and policies apparently spearheaded by President Castro himself. Indeed, the draft plan itself was prepared under the aegis of a new "Central Group" recently superimposed on Cuba's Central Planning Board (Junta Central de Planificación—JUCEPLAN).

What precisely these developments portend for future economic institutions and policies in Cuba will not

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[1]The entire text of Castro's report appears in *Bohemia* (Havana), Feb. 14, 1986, pp. 51–83. Cited hereafter as "Castro's Central Report."

[2]For a translation of the June 28 Cuban broadcast of Castro's June 26 speech, see Foreign Broadcast Information Service, *Daily Report: Latin America* (Washington, DC—hereafer *FBIS-LAM*), July 1, 1986, p. Q/25.

[3]*Lineamientos Económicos y Sociales para el quinquenio 1986–1990 (Proyecto)* (Economic and Social Guidelines for the 1986–90 Five-Year Period [Draft]), Havana, mimeo, 1986.

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Fidel Castro addresses the Third Congress of the Cuban Communist Party in February 1986.

—Boyd/Gamma-Liaison.

be known until the Party Congress reconvenes, if then. As a prelude to that event, however, it is useful to examine the current state of the Cuban economy as suggested by its performance in 1981–85, to evaluate briefly the (draft) plan for 1986–90, and to review various recent institutional changes and policy initiatives of the Castro regime that seem to reflect the "revolutionary counteroffensive." Analysis of performance in 1981–85 is based primarily on fragmentary evidence in Castro's central report to the Third Congress and on data for the industrial sector contained in a recent report by the Cuban National Bank (Banco Nacional de Cuba).[4] Data regarding the evolving 1986–90 plan come from the draft of the plan circulated before the Congress and from Castro's report to the Third Congress.

1981–85: Achievements and Problems

On the surface of things, the Cuban economy performed remarkably well in the period 1981–85 (see Table 1). Global social product (GSP) reportedly grew at a brisk 7.3 percent a year, against a target of 5 percent. In fact, growth might have been even brisker had Cuba's planners not taken steps in late 1984 to cool down the economy by sharply slashing imports and redirecting production to goods and services capable of generating hard-currency exports.[5] Investment, labor productivity, and exports too all rose faster than anticipated, although imports exceeded desired levels.

However, caution must be exercised when dealing with these generally favorable official statistics. For one thing, GSP differs from gross national product (GNP) and gross domestic product (GDP)—macroeconomic indicators commonly used in Western economies to measure economic growth. The differences go beyond which sectors of the economy are covered (GSP excludes so-called nonproductive services sec-

[4]Banco Nacional de Cuba, *Economic Report* (Havana), March 1986. A more thorough assessment of economic performance over this period will have to wait until the publication of the 1985 Cuban statistical yearbook, probably toward the end of 1986.

[5]This shift is discussed below on p. 28.

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tors, such as education and housing, which are included in both GNP and GDP) to the very concept of the economic activity being measured (GSP includes the value of intermediate outputs, while GNP and GDP measure value added).[6] More important, there is reason to believe that a significant portion of the reported GSP growth in 1981–85 may be attributable to inflation, in particular, to the wholesale and retail price reforms of 1981 (see box). Independent estimates of Cuban real economic growth arrived at by evaluating changes in non-monetary measures of activity (i.e., changes in physical output) in a large number of economic categories through the use of relative prices and value-added data consistently suggest slower growth rates than those implied by official Cuban data. The measure which approximates constant-price GSP suggests rates of real growth equal to roughly one-half those obtained from the official data. Constant-price GSP growth is estimated at about 5.1 percent for 1981 and 1.6 percent for 1982, compared with official growth estimates of 15.3 percent (25.9 percent if computed from data "at current prices") and 4.2 percent—1981 and 1982 being the most recent years for which the constructed indexes are available.[7] A comparison of data on physical output with global output figures also puts in question whether during 1981–85 Cuba's GSP grew *in real terms* at close to, let alone in excess of, the targeted 5 percent annual rate.

As can be seen in Table 1, reported investment growth during the period 1981–85 also exceeded planned levels. However, investment figures, too, are reported only at current prices, and hence reflect the inflationary effects noted above. In 1981, for instance, investment is reported to have amounted to 3,386 million pesos, a 23.6 percent increase over the 1980 investment of 2,739 million pesos.[8] After this one-time jump, annual investment stayed in the 3,500-million-peso range.

Among the investment projects completed during 1981–85 were several new sugar mills, the second stage of expansion of a steel plant, and a nickel plant; plants to produce glass containers, yarn, textiles, cement, prefabricated concrete products, agricultural equipment, and paper; agricultural projects (barns, drainage and irrigation works, storage facilities, refrigerated warehouses); railroads; paved and dirt roads;

[6]On the differences between the Cuban and Western national income accounting systems see Carmelo Mesa-Lago and Jorge Pérez-López, *A Study of Cuba's Material Product System, Its Conversion to the System of National Accounts, and Estimation of Gross Domestic Product per Capita and Growth Rates*, World Bank Staff Paper No. 770, Washington, DC, 1985.

[7]Jorge F. Pérez-López, "Real Economic Growth in Cuba, 1965–82," *Journal of Developing Areas* (Macomb, IL), January 1986. The detailed methodology used in constructing the measures is given in Jorge F. Pérez-López, *Measuring Cuban Real Economic Growth*, Austin, The University of Texas Press, forthcoming.

[8]See Comité Estatal de Estadísticas, *Anuario Estadístico de Cuba 1984* (Cuban Statistical Yearbook, 1984), Havana, 1985, p. 119. Official peso-US dollar exchange rates for some recent years, in terms of US dollars per peso, are: 1980, $1.41; 1981, $1.28; 1982, $1.20; 1983, $1.16; 1984, $1.13; and 1985, $1.07.

Table 1: Macroeconomic Indicators: Plan and Actual

(Average annual growth, in percent)

	1976–80		1981–85		1986–90
	Plan	Actual	Plan	Actual	Plan
Global social product (GSP)	6.0	4.0	5.0	7.3	5.0
Labor productivity	na	3.4	3.0	5.2	3.5
Exports	na	15.7	7.0	9.6	5.0
Imports	na	14.6	6.5[1]	11.5	1.5
Investment[2]	15.0	13.2	15.2–15.8	17.9	23.1
Share of investment in industry[3]	25+	35	37	36	45

[1]Estimated.
[2]Total for period, in thousand million pesos, at current prices.
[3]Percentage of total investment for the period, at current prices.

SOURCES: For the 1976–80 plan—*Proyecto de Directivas para el Desarrollo Económico y Social en el Quinquenio 1976–80* (Draft Directives for Economic and Social Development in 1976-1980), Havana, Departamento de Orientación Revolucionaria, Comité Central del Partido Comunista de Cuba, 1985. For 1976–80 actual results—Castro's Central Report to the Second Communist Party Congress, *Bohemia* (Havana), Dec. 26, 1980. For the 1981–85 plan—*Lineamientos Económicos y Sociales para el Quinquenio 1981–85* (Economic and Social Guidelines for 1981–85), Havana, Editora Política, 1981; Banco Nacional de Cuba, *Highlights of Cuban Economic Development 1976–80 and Main Targets for 1981–85*, Havana, 1981; Castro's Central Report to the Second Communist Party Congress, loc. cit.; and Humberto Pérez, "The Programatic Platform and Economic Development in Cuba," *Cuba Socialista* (Havana), June 1982. For 1981–85 actual results—Castro's Central Report to the Third Communist Party Congress, *Bohemia*, Feb. 14, 1986. For the 1986–90 plan—*Lineamientos Económicos y Sociales para el Quinquenio 1986-90 (Proyecto)* (Economic and Social Guidelines for 1981–85 [Draft]), Havana, mimeo, 1986, and Castro's Central Report to the Third Communist Party Congress, loc. cit.

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and education and public health buildings. Progress was also made on several major projects which will probably be completed during the period 1986–90: the first stage of a nuclear power plant and an oil refinery in Cienfuegos, and nickel production facilities at Punta Gorda and Las Camariocas.

Despite these achievements, there is evidence of ongoing serious problems in the investment sector related to (1) the absorption of investment and (2) efforts to enlist external financing. At the Third Party Congress, Castro complained of:

. . . new industrial and agricultural facilities built in unpopulated areas, without housing facilities for the work force; very important agricultural programs—such as for citrus—where there are still sown areas without irrigation; irrigation projects which cannot be put into operation because they lack pumping facilities or electric power; work shops and other facilities built without electrical hook-ups; housing developments built without urban amenities [i.e., roads and commercial and recreational facilities]. Port loading and unloading investments have not kept up with the growth

The Inflation Factor in Cuban Growth Figures

Except for the period 1962–66, Cuba has usually reported macroeconomic data only at current prices and has failed to publish any measures of domestic inflation, such as wholesale price indexes, consumer price indexes, or cost of living indexes. Cuban statisticians have argued that because "official" prices in the agriculture, industry, construction, and communications sectors have been frozen since 1965, the reported value of output data for these four sectors are also at constant prices, with trade and transportation being the only sectors where inflation could have had an effect. Following this line of reasoning, they conclude that although the official data are reported at current prices, they also approximate constant-price data.

However, US scholar Carmelo Mesa-Lago, using the concept of the monetary surplus, i.e., the excess money in circulation for which there are no goods or services to be purchased, has shown that there has been inflation in Cuba.[1] Based on his calculations, and other data, it has been estimated that inflation amounted to approximately 5–6 percent in 1963–66; was somewhat higher in 1967–70; was much lower in 1971–76, and increased significantly in 1981–82.[2]

That there has been inflation in Cuba is confirmed by statements from Cuban officials. For example, a visitor to Cuba has reported that a JUCEPLAN official told him in May 1985 that in Cuba, "inflation, which can not be calculated on the basis of capitalist methods because there is no financial speculation, and [which] is controlled by the government so that it does not burden the real value of worker salaries, is around 3 percent per annum."[3]

In January 1981, a wholesale price reform was implemented, followed in December 1981 by the first stage of a retail price reform. The retail price reform increased prices of over 469 food products—including staple foodstuffs—and of 1,041 industrial consumer products, e.g., tobacco products, textiles and apparel, household items, toiletries, hardware products, and gasoline.[4] Price increases ranged from 7 to 525 percent, with the (unweighted) average price increase being about 65 percent.[5] Average percentage price increases for certain frequently purchased consumer goods were: beef, 31; chicken, 8; fish, 42; milk, 36; rice, 20; beans, 50; tubers, 66; vegetables, 105; fruits, 75; sugar, 72; fats, 23; coffee, 67; soft drinks, 100; tobacco products, 56; toiletries, 70; fabric, 38; and gasoline, 74. Price increases were also imposed on hotel lodging (11 to 84 percent), restaurant meals (11 to 30 percent), and postage (67 percent). The retail price reform reduced but did not totally eliminate cumulative state subsidies, which were expected to average about 671 million pesos during 1982–85 (or 168 million pesos a year) compared to the roughly 1.9 billion pesos incurred during 1976–81 (315 million pesos a year).[6]

Although figures are not available to estimate with precision the impact of the 1981 price reforms on Cuban macroeconomic data, former JUCEPLAN President Humberto Pérez has stated that the economic growth target for 1981, initially set at 4 percent, was raised to 8 percent to account for the wholesale price reform.[7] For 1980, the only year for which Cuba has released GSP data at both 1980 and 1981 prices, the use of 1981 prices to value 1980 output leads to an increase in GSP of 9.9 percent.[8] Further, considering that the retail price reform did not become effective until December 14, 1981, it is reasonable to posit that its impact on the value of output was not fully reflected until 1982 or subsequent years. Consequently, GSP growth for 1982 at constant prices was probably below the 4.2 percent reported in current prices.[9]

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[1]Carmelo Mesa-Lago, *The Economy of Socialist Cuba: A Two Decade Appraisal,* Albuquerque, NM, University of New Mexico Press, 1981, pp. 47–50.

[2]See Carmelo Mesa-Lago and Jorge Pérez-López, *A Study of Cuba's Material Product System, Its Conversion to the System of National Acounts, and Estimation of Gross Domestic Product per Capita and Growth Rates,* World Bank Staff Paper No. 770, Washington, DC, 1985.

[3]Frei Betto, *Fidel y la Religión* (Fidel and Religion), Havana, Oficina de Publicaciones del Consejo de Estado, 1985, p. 33, reporting on a conversation with JUCEPLAN official Alfredo Ham.

[4]See *Granma* (Havana), Dec. 14, 1981, pp. 2–3.

[5]See Mesa-Lago and Pérez-López, op. cit., pp. 59–60.

[6]*Granma,* Dec. 14, 1981, p. 3.

[7]*Granma,* Dec. 30, 1981, p. 2.

[8]Comité Estatal de Estadísticas, *Anuario Estadístico de Cuba 1981* (1981 Statistical Yearbook of Cuba), Havana, 1982, p. 66.

[9]*Anuario Estadístico de Cuba 1984,* p. 85.

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in foreign trade, and the other links in the port-distribution-domestic economy chain have not grown at the necessary rate. We have the case of the central railroad, in which we have invested hundreds of millions of pesos without being able to exploit it efficiently since signals, loading and unloading areas, stations, etc., have not been completed.[9]

With regard to foreign investment, the Council of State in February 1982 approved legislation that for the first time would permit capitalist investment in socialist Cuba, in the form of joint ventures with domestic enterprises.[10] This approach was designed to help Cuba (1) add important new external sources to help finance investment projects, (2) minimize its hard-currency outlays on investment projects, (3) attract Western capital and marketing skills to promote tourism, (4) acquire needed foreign inputs and technological support for existing manufacturing facilities, and (5) improve the overall hard-currency situation by requiring joint ventures to export for hard currency and/or sell output to Cuba for domestic currency (thereby furthering import substitution). However, for a number of reasons—on the one hand, foreign concern about investment security, lack of access to the domestic market, export requirements, unattractive fiscal and financial incentives, and on the other hand, US legal prohibitions on such investment—Western businessmen reacted very coolly to the Cuban legislation. I know of only one such project a Spanish-Cuban joint venture to recycle (and export) scrap metal.[11]

[9]Castro's Central Report, loc. cit., p. 59.

[10]See Jorge F. Pérez-López, *The 1982 Cuban Joint Venture Law: Context, Assessment and Prospects*, Miami, Institute of Interamerican Studies, University of Miami, 1985; and idem, "The Economics of Cuban Joint Ventures," forthcoming in *Cuban Studies/Estudios Cubanos*.

[11]Jorge I. Domínguez, *To Make a World Safe for Revolution: Cuban Foreign Policy*, manuscript, Chapter 9. However, another source has indicated that, as of mid-1985, not a single joint venture had been registered pursuant to the law. See Jeremy Main, "Castro Tightens Cuba's Belt," *Fortune* (New York), Sept. 16, 1985, p. 128. As far as we can determine, the reported arrangements between Cuban and Argentinian enterprises regarding construction of tourist hotels and other facilities have not taken the form of joint ventures. On these arrangements, see Banco Nacional de Cuba, *Economic Report*, February 1985, p. 15.

[12]*Anuario Estadístico de Cuba 1984*, p. 108.

[13]This arrangement was part of a long-term economic and scientific-technical cooperation agreement for the period 1976–80 signed with the Soviet Union on Apri1 14, 1976. See *Granma* (Havana), Apr. 15, 1976, p. 8; and José Luis Rodríguez Garcia, "The Cuban Economy Between 1976 and 1980: Results and Prospects," *Economía y Desarrollo* (Havana), January-February 1982, p. 121. However, there is evidence that the indexing arrangement was in effect prior to 1976. For example, a September 1975 publication of the Banco Nacional de Cuba refers to an arrangement whereby the price of Cuban sugar exports to the Soviet Union had been set at 30 cents per pound, with the possibility of adjusting the price according to the price of imports from the Soviet Union. See Banco Nacional de Cuba, *Development and Prospects of the Cuban Economy*, Havana, 1975, p. 32.

For 1981–85, labor productivity reportedly grew at 5.2 percent a year, outstripping the projected 3 percent rate. However, according to Cuban statistics, labor productivity is the ratio (or rate of growth of the ratio) of the gross value of output (at current prices) to the average annual number of workers. Since the gross value of output is subject to the same inflationary bias as GSP, real labor productivity gains may also be presumed to be overstated. Thus, in 1981, labor productivity in the "productive sphere" rose by an astonishing 24.5 percent (gross value of output grew by 26.8 percent and labor input rose by an estimated 1.8 percent); in subsequent years, productivity increases were more moderate—1.6 percent in 1982, 2.4 percent 1983, and 7.2 percent in 1984.[12]

Foreign Trade Problems

Although Cuba reached its targets for export expansion in 1981–85, imports grew much more rapidly than planned (see Table 1). As a result, Cuba experienced a sharp deterioration in its merchandise trade balance—the nation registered an average annual trade deficit of 1,168.8 million pesos in 1981–85 compared to 402.6 million in 1976–80. The downward trend was reversed briefly in 1982 and 1983, but resumed thereafter, amounting to a record deficit of 1,923 million pesos in 1985 (see Table 2). This pattern was repeated in trade with socialist countries and with capitalist countries, whereas trade balances with the developing countries deteriorated relentlessly during the entire first half of the 1980's.

Throughout the period, the share of Cuba's trade that was conducted with socialist countries continued to rise, from 70 percent of exports and 78 percent of imports in 1980 to 90 percent of exports and 84 percent of imports in 1985. Cuba's trade deficits with the socialist countries averaged 960 million pesos a year in 1981–85, and would have been substantially higher had not the Soviet Union and other members of the Council for Economic Mutual Assistance (CEMA) accorded Cuban exports and imports preferential price treatment.

Since the mid-1970's, the Soviet Union and East European nations have purchased Cuban sugar at prices far above prevailing world market prices. Reportedly, the Soviet Union agreed in 1976 to purchase Cuban sugar at a very high price and to adjust the price annually based on the movement of prices of a basket of commodities that Cuba imports from the Soviet Union, including oil.[13] As a result of this price indexing scheme, Cuba has been insulated from the

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Table 2. Cuban Merchandise Trade by Groups of Countries

(in millions of pesos)[1]

	1975	1980	1981	1982	1983	1984	1985
World							
Exports	2,952	3,967	4,224	4,933	5,535	5,462	5,983
Imports	3,113	4,627	5,114	5,531	6,222	7,207	7,905
Balance	-161	-660	-890	-598	-687	-1,745	-1,922
Socialist countries							
Exports	2,002	2,786	3,179	4,172	4,765	4,893	5,310
Imports	1,605	3,613	4,114	4,908	5,414	6,058	6,640
Balance	397	-827	-935	-736	-649	-1,165	-1,330
Capitalist countries							
Exports	771	553	557	459	470	377	672[2]
Imports	1,299	904	922	556	631	868	1,265[2]
Balance	-528	-351	-365	-97	-161	-491	-593[2]
Developing countries							
Exports	179	628	488	302	300	192	na[3]
Imports	209	110	78	67	177	281	na[3]
Balance	-30	518	410	235	123	-89	na[3]

[1]Official peso-dollar exchange rates were one peso equals US$1.21 in 1975; US$1.41 in 1980, US$1.28 in 1981; US$1.20 in 1982; US$1.16 in 1983; US$1.13 in 1984; and US$1.07 in 1985.

[2]Includes data for developing countries.

[3]Included with data for capitalist countries.

SOURCES: Comité Estatal de Estadísticas, *Anuario Estadístico de Cuba 1984* (Statistical Yearbook of Cuba, 1984), Havana, p. 289; and Banco Nacional de Cuba, *Economic Report* (Havana), March 1986, p. 9.

generally depressed sugar world market prices that have prevailed since the mid-1970s, and its sugar export revenues have been more stable than would have been the case otherwise. For instance, Cuban official statistics report that the contract price for Cuban sugar exports to the Soviet Union in 1982, the most recent year for which these data are available, was 29.9 centavos per pound; the price to CEMA members was 28.9 centavos, while to capitalist nations it averaged 7.7 centavos.[14] Similarly, in a December 1972 agreement, the Soviet Union undertook to purchase Cuban nickel at prices exceeding world market prices.[15]

The Soviet Union has also aided Cuba's merchandise trade balance by selling oil to the island at prices below those prevailing in the world market. In the aftermath of the 1973 world oil crisis and the ensuing quadrupling of world oil prices, the Soviet Union did not immediately increase oil prices to Cuba and other CEMA members. When the USSR did raise oil prices, in 1975, it was through a pricing formula that took into account changes in world market prices for oil according to a five-year moving average, thereby passing on price increases with a significant time lag.[16] A Western estimate puts total Soviet subsidies for Cuba's exports (sugar and nickel) and imports (oil) at US$3,100 million and $3,700 million in 1981 and 1982 respectively.[17]

While the share of trade with capitalist nations in Cuba's total trade is small and declining, this commerce is critical to the Cuban economy because it provides goods and technology either not available or available only in limited quantitities from socialist nations. Exports to capitalist nations are an important

[14]*Anuario Estadístico de Cuba 1984*, p. 374. The reported contract prices paid by capitalist countries for Cuban sugar in 1982 were: Japan, 6.6 centavos per pound; Finland, 8.3 centavos; Iraq, 6.9 centavos; Malaysia, 10.6 centavos; and Canada, 9.3 centavos.

[15]*Granma*, Jan. 3, 1973, p. 2.

[16]For a discussion of the Soviet oil-pricing formula see, Jorge F. Pérez-López, "Sugar and Petroleum in Cuban-Soviet Terms of Trade," in Carmelo Mesa-Lago and Cole Blasier, Eds., *Cuba in the World*, Pittsburgh, PA, University of Pittsburgh Press, 1979.

[17]US Central Intelligence Agency, *The Cuban Economy: A Statistical Review*, ALA 84-10052, Washington, DC, June 1984, p. 40.

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source of hard currency to finance imports from these nations and to service the hard-currency debt owed to Western banks.

As for the developing countries, Cuba had in the late 1970's begun to record sizable merchandise trade surpluses, an outcome most likely associated with Cuba's internationalist policies and the link between the presence of Cubans abroad (soldiers, doctors, and technicians) and Cuban merchandise exports. This merchandise trade surplus with developing countries grew rapidly—from 36 million pesos in 1978, to 104 million pesos in 1979, to 518 million in 1980—and had a positive impact on the overall trade balance. In the 1980's, however, exports to these countries declined steadily, converting the surplus to a deficit of 89 million pesos in 1984.

Cuba's trade patterns, although distorted to some degree by Soviet export and import subsidies, are very similar to those of other oil-importing developing countries in Latin America and elsewhere, with a heavy concentration on the exporting of basic commodities and importing of fuels, semifinished products, and capital goods (see Table 3). In the 1980's, four-fifths of Cuba's exports were food and live animal products (primarily sugar). The most significant exception to this rule has been the emergence of oil (reexports of Soviet oil)—from 0.1 percent of the value of exports in 1975 to more than 4 percent in 1980 and 1981, 7 percent in 1982, and more than 10 percent in 1983 and 1984. The dominance of machinery and transportation equipment in Cuba's import basket has slipped below the one-third level in the 1980's, largely due to increasing import of fuels (reflecting rising domestic consumption, increasing reexport, and a rise in oil prices). By 1984, fuels had become Cuba's largest import category, accounting for 30.8 percent of the total.

Cuba's foreign accounts are segmented: there are soft-currency accounts reflecting bilateral trading relations with other socialist states and denominated in the currency of one of the two trading partners or else "transferable rubles"; and hard-currency trade, mostly with capitalist or developing countries, which is denominated in dollars, Swiss francs, or German marks. Socialist nations have routinely financed Cuba's trade deficits with low-interest loans; these have been rolled over at least twice (in 1972 and 1986), and there is a low probability that they will ever be repaid in full. Western governments, financial institutions and suppliers, too have provided credits to finance exports to Cuba. These interest-bearing credits are subject to repayment, in hard currency, according to a predetermined schedule.

In the mid- and late 1970's, thanks to a relatively strong Cuban domestic economic performance, high

Table 3. Composition of Cuban Exports and Imports

(percent of total, by peso value)

	1975	1980	1981	1982	1983	1984
Exports	100.0	100.0	100.0	100.0	100.0	100.0
Food & live animals	92.7	88.1	84.4	82.5	79.3	80.1
Beverages & tobacco	2.3	2.2	1.7	2.6	2.4	1.7
Raw materials, excluding fuels	4.7	5.0	8.0	6.7	5.6	6.0
Fuels	0.1	4.2	4.2	6.9	10.6	10.1
Chemicals	0.0	0.0	0.1	0.1	0.2	0.1
Manufactured products, classified chiefly by material	0.0	0.4	0.4	1.0	0.5	0.4
Other	0.2	0.1	1.2	0.2	1.4	1.6
Imports	100.0	100.0	100.0	100.0	100.0	100.0
Food & live animals	19.1	16.1	15.0	14.7	12.6	11.2
Beverages & tobacco	0.1	0.3	0.2	0.2	0.2	0.1
Raw materials, excluding fuels	5.9	4.1	4.2	3.3	3.2	3.5
Fuels	10.3	19.7	22.8	27.1	29.9	30.8
Oils & fats	1.3	1.2	1.1	0.9	1.0	1.1
Chemicals	8.0	6.3	6.1	6.5	6.8	5.9
Manufactured products, classified chiefly by material	18.4	14.7	14.8	13.0	12.3	13.3
Machinery and transportation equipment	31.1	35.4	33.6	31.0	30.6	30.5
Other manufactured products	5.8	2.2	2.2	3.3	3.4	3.6

SOURCE: *Anuario Estadístico de Cuba 1984*, pp. 302-03.

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world market prices for sugar, and the easy availability of international credit stemming from the recycling of "petro-dollars," Havana was able to obtain significant Western credits to finance investment largely in the productive sectors. The hope was to use output either to replace hard-currency imports or to generate hard currency through export—in either case permitting adequate servicing of the debt.

However, in 1981 and 1982, Cuba's hard-currency balance of payments deteriorated severely. This reflected a precipitous decline in sugar prices on the world market, plagues and bad weather affecting major crops, delays in completion of projects, low production efficiency, problems with product quality and difficulties in penetrating Western markets, and a sharp rise in international interest rates (affecting debt service).

In August 1982, the Banco Nacional de Cuba asked Western creditors (public and private) for a renegotiation of the terms of part of its debt, which as of June 1982 reportedly amounted to US$2,900 million, $1,650 million of it owed to private-sector lenders, primarily in the form of short-term loans. Cuba proposed stretching out over a 10-year period the repayment of over $1,000 million in principal coming due from mid-1982 through 1985, and requested a three-year grace period—to 1986—on payment of that principal, while announcing its "intention" to continue to pay interest on the rescheduled amounts. Cuba undertook to cut back hard-currency imports, aggressively pursue hard-currency exports, restrict investment more tightly to productive (rather than social) purposes, encourage joint ventures and other economic relations with market economies, earn hard currency through the export of services (e.g., construction workers), and cooperate in international efforts to stabilize sugar prices.[18]

On March 1, 1983, a group of creditor countries (West Germany, Austria, Belgium, Canada, Denmark, Spain, France, Italy, Japan, the Netherlands, England, Sweden, and Switzerland) agreed to reschedule Cuba's principal payments due in 1982 and 1983 over a five-year period, with a grace period of three and one-half years.[19] In the case of the debt held by private banks in the West, renegotiation proved more difficult. An agreement rescheduling $140 million in repayments due in 1982 and 1983 on the medium-term debt was reportedly concluded in April 1983,[20] but agreement on rescheduling of the short-term debt was not reached until early 1984.[21] Cuba subsequently succeeded in rescheduling public and private debt repayments due in 1984 and 1985.[22] These last reschedulings occurred despite a further deterioration in Cuba's financial situation after 1982–83, when the country briefly put a lid on expansion of hard-currency imports. However, a resumed climb in such imports and declining hard-currency exports had by 1985 generated a 119-million-peso hard-currency annual deficit (see Table 4).

A Cuban journalist candidly described the paradox of rapid economic growth and deteriorating financial condition experienced by Cuba:

In 1984, in fact, GSP registered the high growth rate of 7.4 percent; for the period 1981–84, this indicator averaged a rate of growth of 8 percent per annum, well above the 5 percent foreseen in the guidelines of the five-year plan. At first sight, these figures would suggest that the country's economy was moving at full speed ("viento en popa"). Without disparaging the real successes and important accomplishments reached globally and in specific sectors of the economy, it is fair to say that not everything was rose-colored, and that some problems were deepening. . . .

What was happening? The economy as a whole had a very high rate of growth. However, basic sectors responsible for generating exports, investments for export, and other key sectors lagged behind. Thus, imports increased, but not so exports. Growth under these circumstances was a false and dangerous path. This situation made it clear that, in an economy such as ours, highly dependent on foreign trade, it is more important where and how to grow than how much to grow.[23]

Physical Output Figures

Data on physical output of selected agricultural and industrial products for the years 1981–85 (see Table 5) give a clearer picture of Cuba's economic problems

[18]Banco Nacional de Cuba, *Economic Report*, August 1982, esp. pp. 56–57; also, "Why and How Cuba is Partially Negotiating Its Foreign Debt," *Granma Weekly Review* (Havana, in English), Sept. 19, 1982, p. 7. Subsequent reports by the national bank show the 1982 debt at US$2,669 million, indicating a somewhat less serious situation for Cuba, but bringing into question the reliability of Cuban data. See Banco Nacional de Cuba, *Economic Report*, February 1985, Annex 8.

[19]Alfredo G. Pierrat, "Accord Signed for Refinancing Cuba's External Debt," *Granma*, Mar. 2, 1983, pp. 1 and 5.

[20]See, e.g., "Western Banks Agree to Reschedule Payments," AFP newswire, in *FBIS-LAM*, Apr. 13, 1983, p. Q/1.

[21]"Cuba: Tasting Its Own Medicine," *The Latin American Times* (Coral Gables, FL), No. 58, 1984, p. 29.

[22]See, e.g., "Cuba—Debt," *Direct from Cuba* (Havana), No. 329, July 1984; Francisco Forteza, "Cuba Continually Reduces Its Foreign Debt Service Ratio," *Granma*, May 20, 1985, p. 8.

[23]Julio García Luis, "The Principal Matter—The Future. The First Thing—Efficiency," *Bohemia*, Dec. 27, 1985, p. 45.

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Table 4: Cuban Merchandise Trade in Soft and Hard Currency

(in millions of pesos)

	1979	1980	1981	1982	1983	1984	1985
Total							
Exports	3,499	3,967	4,224	4,933	5,535	5,462	5,983
Imports	3,688	4,627	5,114	5,531	6,222	7,207	7,905
Balance	-189	-660	-890	-598	-687	-1,745	-1,922
Soft currency							
Exports	2,759	2,683	2,881	3,551	4,248	4,366	4,800
Imports	3,047	2,956	4,126	4,899	5,390	6,042	6,603
Balance	-288	-923	-1,245	-1,348	-1,142	-1,676	-1,803
Hard currency							
Exports	740	1,284	1,343	1,382	1,287	1,096	1,183
Imports	641	1,011	988	632	832	1,165	1,302
Balance	99	273	355	750	455	-69	-119

SOURCES: Banco Nacional de Cuba, *Memorandum to the Group of Experts on the Scheduling of the Cuban Debt*, Havana, 1982; idem, *Cuba: Informe Económico Trimestral* (Cuba: Quarterly Economic Report), December 1982; idem, *Economic Report,* February 1985 and March 1986.

and lend weight to the impression that reported global growth figures for the period may be bloated. The data are presented against 1976–80 annual-average output figures and the planned output levels for 1985 and 1990—to the extent that they are known.[24] Since data for 1985 are largely preliminary reports or estimates,[25] they may be revised in subsequent official reports. Included in the table are all agricultural and industrial products for which a quantitative output target for 1985 and/or 1990 was available.

In agriculture, it appears that only pork and rice reached targeted 1985 production levels. Production of citrus—an important export commodity—expanded markedly, but fell 27 percent short of the 1985 target. Despite these data and the somber accounts of agricultural underinvestment and mismanagement given by Castro at the Third Congress, the leader still reported an average annual growth of 3.8 percent in agricultural output during 1981–85.

In the industrial sector, performance was also mixed. For a limited number of products—steel (using the low range of the target), refractory chromium, batteries, industrial gases, tires, and probably caustic soda[26]—output targets for 1985 were met or exceeded. Moreover, although we have no target figure, oil production increased sharply, reaching an all-time high of 868,000 tons in 1985. For the bulk of the industrial products listed in Table 5, however, 1985 production targets were not attained. For key commodities, including important export product lines, the shortfalls were significant:

- Raw sugar output in 1985 was 7.6 million metric tons compared to a target of 8.2–8.5 million tons. Although Castro claimed "stable production levels of about 8 million tons per annum" for 1981–85,[27] the actual average was just below 7.6 million tons.
- Generation of electricity was about 23 percent

[24]For the 1985 targets, see *Lineamientos económicos y sociales para el quinquenio 1981–85* (Economic and Social Guidelines for 1981–1985), Havana, Editora Política, 1981; Castro's Central Report to the Second Cuban Communist Party Congress in December 1980, *Bohemia,* Dec. 26, 1980, pp. 35–67; Banco Nacional de Cuba, *Highlights of Cuban Economic Development 1976–1980 and Targets for 1981–1985,* Havana, 1981; and Humberto Pérez, "The Programatic Platform and the Economic Development of Cuba," *Cuba Socialista* (Havana), June 1982.

In some cases, targets are reported either as an average annual rate of growth or as the percentage by which production in the forthcoming five-year period will exceed production in an earlier five-year period. In these instances, annual production in each of the years in the future period was calculated by: 1) applying the percentage growth rate to the average annual production in the earlier period; and 2) multiplying the average by the following distributed lag factors: year 1—0.9; year 2—0.95; year 3—1.0; year 4—1.05; year 5—1.10.

[25]In addition to Castro's Central Report, loc. cit., see, Banco Nacional de Cuba, *Economic Report,* March 1986; and *Cuba: Indicadores Económico-Sociales y Políticos (1981–1985)* (Cuba: Socioeconomic and Political Indicators, 1981–1985), Havana, Editora Política, 1986.

Typically, Castro only reported the percentage growth of output in 1981–85 as compared to 1976–80. In many such instances, I estimated 1985 production by applying the reported percentage growth to cumulative production during 1976–80 and subtracting total output for 1981, 1982, 1983, and 1984 as reported in official sources.

[26]However, in his Central Report, loc. cit., p. 59, Castro states that production of caustic soda in 1985 did *not* meet the target.

[27]Castro's Central Report, loc. cit., p. 51.

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Table 5: Targeted and Reported Annual Production of Selected Items

(in thousand tons, unless otherwise noted)

	Average, 1976-80	1981	1982	1983	1984	1985	Plan 1985	Plan 1990
Agriculture								
Milk	773	926	929	948	943	931	1,005	1,250
Eggs[1]	1,765	2,066	2,013	2,231	2,274	2,270	2,300	2,610
Beef	301	304	300	303	302	na	330–340	324
Poultry	56	81	57	72	85	69	80–85	86
Pork	58	68	71	76	86	85	80	120
Honey	6.8	8.9	10.1	10.2	8.5	9.6	10.0	na
Citrus	285	471	530	632	600	732	1,000	1,400
Rice	453	461	520	518	555	528	520	620
Tobacco	35	55	45	30	45	na	50	70
Coffee	20	22	29	18	23	24	29	36
Industry								
Sugar	6,824	7,647	7,778	7,232	7,514	7,604	8,200–8,500	9,560
Electricity[2]	8,535	10,559	11,070	11,551	12,292	12,199	15,840	15,660
Oil	268	253	541	742	770	868	na	2,000
Manufactured gas[3]	124	139	133	136	146	na	na	190
Steel	307	328	301	364	338	413	400–440	600
Refractory chromium	25	21	27	34	38	38	29	na
Nickel-cobalt[4]	35,820	40,260	37,603	39,257	33,327	33,400	48,000	77,600
Copper concentrate[4]	2,889	2,908	2,645	2,667	2,701	3,100	3,740	4,010
Radios[5]	135	256	239	273	253	236	300	na
Television sets[5]	41	78	50	91	92	94	130	na
Batteries[5]	163	237	222	302	336	393	360	na
Fertilizers	908	1,059	1,067	1,026	1,036	1,160	1,300	1,530
Caustic soda[4]	4,308	8,029	11,187	13,511	14,832	na	9,500	na
Industrial gases[6]	11,456	14,468	15,058	16,178	17,869	19,800	17,640	na
Table salt	79	90	112	93	81	na	110	na
Industrial salt	54	71	86	87	103	na	130	na
Tires[5]	284	327	218	354	450	472	470	550
Inner tubes[5]	222	359	185	268	313	322	365	400
Household detergent	20	27	21	24	24	25	na	49
Hand soap	16.7	17.2	16.1	17.4	15.2	14.8	na	32.7
Cement	2,663	3,292	3,163	3,231	3,347	3,200	4,500–4,900	na
Glass containers[1]	278	266	325	283	330	na	550	420
Textiles[7]	151,364	171,926	153,337	170,340	172,140	205,400	300,000	335,000
Apparel-outerwear[1]	48	52	51	52	51	52	63–66	na
Apparel-underwear[1]	63	70	70	65	72	75	84–87	na
Leather footwear[8]	13.8	15.5	13.5	13.2	12.5	12.4	17.5–18.2	24.8
Canned fruit & vegetables	106	143	131	148	162	na	233	na
Fish catch	186	165	195	198	200	220	320	248
Alcoholic beverages[9]	337	385	570	586	656	432	na	650
Beer[9]	2,276	2,243	2,421	2,582	2,607	2,733	3,400–3,950	4,150
Soft drinks[9]	1,414	1,308	2,056	2,203	2,128	na	4,250–4,670	na
Fodder	1,225	1,510	1,364	1,489	1,609	1,564	1,700	na

[1]Million units
[2]Gigawatt-hours
[3]Million cubic meters
[4]Tons
[5]Thousand units
[6]Thousand cubic meters
[7]Thousand square meters
[8]Million pairs
[9]Thousand hectoliters

SOURCES: for 1976–80—*Anuario Estadístico de Cuba 1982*. For 1981–84—*Anuario Estadístico de Cuba 1984*. For 1985 results—reported or estimated from Castro's Central Report to the Third Communist Party Congress, loc. cit.; *Cuba: Indicadores Económico-Sociales y Políticos (1981–1985)* (Cuba: Socioeconomic and Political Indicators [1981–1985]), Havana, Editora Política, 1986; and Banco Nacional de Cuba, *Economic Report*, March 1986, Annex 3. For 1985 plan—*Lineamientos Económicos y Sociales para el Quinquenio 1981–1985;* Banco Nacional de Cuba, *Highlights of Cuban Economic Development 1976–80 and Main Targets for 1981–1985;* Castro's Central Report to the Second Communist Party Congress, loc. cit.; and Humberto Peréz, "The Programatic Platform and the Economic Development of Cuba," *Cuba Socialista* (Havana), June 1982. For 1990 plan—*Lineamientos Económicos y Sociales para el Quinquenio 1986-90 (Proyecto);* and Castro's Central Report to the Third Communist Party Congress, loc. cit.

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below the target. This decline was doubtless intentional, in connection with a nation-wide energy-conservation campaign, an effort that also resulted in increased numbers of brownouts and blackouts.

- Nickel production fell 30 percent short of the target after peaking at 40,000 tons in 1981; this occurred despite substantial investments to modernize the plants at Nicaro and Moa.
- Fertilizer production fell short of the 1985 target by 10.8 percent, and the impact on agriculture was doubtless aggravated by reported supply bottlenecks.
- Sizable investments raised cement output to the range of 3.2–3.3 million tons a year, still far short of the target of 4.5–4.9 million tons. Exports, which reached nearly 420,000 tons in 1981, fell to under 300,000 tons in 1982, 213,000 tons in 1983, and under 225,000 tons in 1984.[28]
- The output of textiles increased, but still fell far short of targets, and production of leather footwear actually declined.

In the case of yet other products—e.g., salt (industrial and table), glass containers, canned fruits and vegetables, and soft drinks—for which 1985 production data are not available (or production estimates cannot be easily made), 1981–84 results make it likely that output fell short of targets. The 8.8 percent annual growth rate in industrial output reported by Castro at the Third Congress seems inconsistent with this lackluster performance of many key industrial sectors and the litany of weaknesses highlighted in the same speech.

Social Indicators

Performance in the health services area—a nonproductive sector, not included in GSP—was quite strong during the period 1981–85, as can be seen in Table 6. The figures for physicians and dentists may overestimate services available to the Cuban population itself, inasmuch as health professionals working abroad may be included in the ratios,[29] but even adjusted for this, health service ratios would likely have improved on targeted levels. Although infant mortality of 16.5 deaths per 1,000 live births in 1985 was considerably below the figure of 19.6 in 1980, it marked an upturn from the 15.0 reported for 1984.[30]

In the area of education, Castro reported very high rates of enrollment in elementary and intermediate schools: 80 percent for 5-year-olds, almost 100 percent for those 6 to 12, and over 87 percent for those 13 to 16. Similarly, enrollments in special education and in adult education programs were very high. Castro even indicated that there was a "reserve" (i.e., surplus) of 10,000 primary school teachers, which permitted significant numbers of primary school teachers to return to school on a full-time basis, with full pay, for further training in their field or to be retrained as mid-level science teachers. Regarding higher education—the only segment for which explicit performance targets have been made public—the targeted enrollment ratio was not met.

Rationing of staple food commodities and consumer goods, which began in 1960, still continues in Cuba, although the number of products subject to restriction has declined. According to Castro's Central Report to the Third Congress, the list of 150 non-food items subject to rationing in 1980 had shrunk to 68 by the end of 1985. Instrumental in this process was the establishment by the government of a "parallel market," in which consumer products could be purchased freely at prices significantly higher than official prices. Also contributing was the 1980 decision (reversed in 1986) to permit farmers to sell their surplus agricultural output (beyond the procurement quotas that had to be sold to the state) directly to consumers at "free farmers' markets"—at whatever prices consumers were willing to pay. Over the period 1981–85, average

[28] *Anuario Estadístico de Cuba 1984*, pp. 308–09.

[29] Official Cuban data on the number of physicians and dentists correspond to counts on the "Register of Professionals," without specifying whether such personnel are actually in Cuba or abroad. Our presumption is that they refer to the total number of professionals regardless of where they are performing services. See *Anuario Estadístico de Cuba 1984*, Table XV.1, p. 428. Table XV.2 in the same source shows the distribution (for 1984) of health professionals by provinces. Again, this table does not definitively answer the question of whether the professionals are in Cuba or abroad. Ratios of persons per physician or persons per dentist calculated using the data on number of physicians and official population data yield results relatively close, but not identical, to those given in my Table 6.

[30] Address by JUCEPLAN President José López Móreno, reproduced as "Plan of Economic and Social Development: Results in 1985, Objectives for 1986," *Granma*, Dec. 31, 1985, p. 2. López Móreno actually reports the infant mortality rate in 1985 as 16.6; presumably the 16.5 rate reported by Castro (and included in Table 6) is a more current estimate and may reflect some revisions to the data.

Sergio Díaz-Briquets argues in "How to Figure Out Cuba: Development, Ideology and Mortality," (*Caribbean Review* [Miami, FL], Spring 1986, esp. pp. 9–10) that improvement in infant mortality over the last 25 years is but a continuation of a favorable trend under way since about the beginning of the century. He suggests that increases in infant mortality rates during the first few years of the revolution probably were not the result of a deterioration in health services but rather of more complete registration of infant deaths. Thus, the jump in infant mortality in 1985 of about 10 percent is a significant event.

For a different view on the quality of Cuban health statistics, and particularly of infant mortality data, see Nicholas Eberstadt, "Did Fidel Fudge the Figures? Literacy and Health: The Cuban Model," ibid., Spring 1986, esp. pp. 6–7.

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Table 6: Social Indicators, Planned and Actual

	1980		1985		1990
	Plan	Actual	Plan	Actual	Plan
Health					
Hospital beds/1,000 inhabitants	na	4.9	5.2	5.4	6.2
Persons/physician	750–790	626	500–550	443	284
Persons/dentist	3,150–3,250	2,667	2,050–2,100	1,864	1,509
Infant mortality[1]	23–25	19.6	na	16.5	<15[2]
Education					
Enrollment in higher education per 1,000 inhabitants over age 17	na	34	39	35	35
Nutrition					
Daily food intake, calories	na	2,866	3,154	2,900	3,100
Daily food intake, protein[3]	na	75	82	78	83
Housing					
Housing units built[4]	na	83,000	200,000	126,000	185,000

[1]Deaths per 1,000 live births.
[2]Estimated.
[3]Grams per capita.
[4]Cumulative building during the five-year period ending with the specified year

SOURCES: For 1980 plan—*Proyecto de Directivas para el Desarrollo Económico y Social en el Quinquenio 1976-80.* For 1980 actual results—Castro's Central Report to the Second Communist Party Congress, loc. cit. For 1985 plan—*Lineamientos Económicos y Sociales para el Quinquenio 1981-1985;* Castro's Central Report to the Second Communist Party Congress, loc. cit. For 1985 actual results—Castro's Central Report to the Third Communist Party Congress, loc. cit. For 1990 plan—Ibid.; and *Lineamientos Económicos y Sociales para el Quinquenio 1986-90 (Proyecto).*

food availability showed some modest improvement, but failed to attain 1985 targets.[31]

The inability of the state to provide sufficient housing facilities to meet demand, coupled with the deterioration of the housing stock, constitutes one of the most significant challenges facing the regime. According to Cuban official data, cumulative housing construction by the state during the period 1959–80 amounted to less than 320,000 units.[32] Carmelo Mesa-Lago has estimated that by the end of the 1970's, the housing deficit created since the revolutionary takeover in 1959 was approximately 700,000 units.[33]

State construction of housing fell 37 percent below the ambitious 200,000 unit target for 1981–85. Interestingly, Castro reported total construction of 335,000 units for the period,[34] suggesting that more than 200,000 units (upwards of 60 percent of total units) were built by cooperatives and individuals. Using the total of new marriages (380,000) and divorces (145,000) as a rough indicator of demand for new housing,[35] one finds that the supply of new housing was insufficient even if the plan targets had been met. In December 1984, the National Assembly of the People's Government passed new housing legislation which, inter alia, would convert tenants of housing stock owned by the state into owners, thereby transfer-

[31]Annual data on "average consumption per capita of calories and proteins" appears, e.g., in *Anuario Estadístico de Cuba 1984,* op. cit., p. 96. For different views on nutrition issues in Cuba see Antonio M. Gordon, "The Nutriture of Cubans: Historical Perspective and Nutritional Analysis," *Cuban Studies/Estudios Cubanos* (Pittsburgh, PA), Summer 1983; "Comment" by Howard Handelman and "Reply" by Gordon in the same issue of that journal; "Comment" by Nelson P. Valdes in ibid., Winter 1985; and Medea Benjamin, Joseph Collins and Michael Scott, *No Free Lunch: Food and Revolution in Cuba Today,* San Francisco, Institute for Food and Development Studies, 1984, esp. Chap. 7.

[32]Calculated on the basis of data in Mesa-Lago, *The Economy of Socialist Cuba: A Two-Decade Appraisal,* Albuquerque, NM, University of New Mexico Press, 1981, p. 173, supplemented by the figure for Cuban state housing construction in 1980 from *Anuario Estadístico de Cuba 1984,* p. 174. It should be noted that in addition to housing construction by the state, there was also housing construction by cooperatives and by the population, particularly in rural areas. There are no systematic data on these other types of construction, however. The 1984 issue of the statistical yearbook also reports annual series for housing construction by enterprises other than construction enterprises, by cooperatives, and by the public, beginning with 1980.

[33]Mesa-Lago, *The Economy of Socialist Cuba,* pp. 173 and 228.

[34]Castro's Central Report, loc. cit., p. 53. To our knowledge, this is the first time that a figure on overall housing construction has been given. The total reported by Castro (335,000 units) is in line with Castro's statement to Frei Betto that "at present, more than 70,000 housing units per annum are being built." See Frei Betto, *Fidel y la Religión* (Fidel and Relgion), Havana, Oficina de Publicaciones del Consejo de Estado, 1985, p. 43.

[35]Data for marriages and divorces during 1981–84 is from *Anuario Estadístico de Cuba 1984,* p. 64. Estimates for 1985 are based on the actual figures for 1984. Refinement of these estimates of housing demand would require taking into account the impact of deaths and emigration.

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ring to the new owners the maintenance responsibilities that had previously fallen to the state.[36] (One can only guess at the impact on this rather odd reliance on market forces of Castro's recent prohibition of the private sale of houses and apartments.)

Uncertain Blueprint for 1986–90

Where the Cuban economy heads from here is an open question. The draft plan *not* approved at the Third Congress is presumably still being "adjusted" by the technicians to take into account the serious deterioration in the hard-currency balance of payments experienced in 1984–85. Moreover, the draft could conceivably become devoid of operational significance if the "counteroffensive" already under way were to continue to gain momentum and evolve into a full-blown shift in economic strategy toward a "moral" economy.[37] Nevertheless, the plan plus Castro's comments at the Congress are the best indications we have about the Cuban leadership's current thinking on where the economy is heading.

Like its two predecessors, the plan for 1986–90 as drafted sought rapid economic growth, expansion of exports at a faster rate than imports, conservation of energy and raw materials, full utilization of the labor force, and improved economic efficiency. Emphasis on exports and on energy conservation was, however, somewhat greater than in the previous plans.

The draft plan projected average annual growth of GSP for 1986–90 at 5 percent. Total investment for the five years was projected at 23.1 billion pesos, a 30 percent increase over the previous five-year period. Some 45 percent of this investment was to be devoted to industry, up from 36 percent in the previous plan (see Table 1). At the Third Congress, Castro listed investment priorities that reflected those established for the Cuban economy in late 1984: (1) investment aimed at guaranteeing a sustained growth of capacities for producing export goods and/or replacing imports; (2) investments of strategic importance for Cuba's economic development being carried out with the technical and financial cooperation of the Soviet Union and other CEMA member-countries (including projects ensuring exports to those countries), and (3) social investments with the greatest influence on the population's well-being.[38] If these priorities still pertain, there is likely to be a reduction in investment in such sectors as agriculture, construction, transportation and communications.

A young Cuban worker (left) is trained in operation of a twisting machine at a textile mill in Leipzig, East Germany, prior to returning to Cuba for work.

—ADN Zentralbild from Eastfoto.

The draft plan targeted 3.5 percent annual growth in labor productivity. Judging from the demographics of the Cuban labor force, this will not be easily attained. Cuba can expect the "baby boom" of the 1960's to continue to swell the ranks of the economically active at about the rates of recent years (150,800 in 1982, 188,600 in 1983, and 170,000 in 1984).[39] This increase in labor supply will place an additional burden on an economy already falling behind in generating new jobs. Thus, in 1982, 1983, and 1984, respectively, the state sector generated only 57,000, 118,000, and 115,000 new jobs.[40]

[36]The text of the law appears in *Revista Cubana de Derecho* (Havana), No. 24, 1985, pp. 37–78.

[37]This term has been used by Sergio Roca to describe an economic model espoused by Che Guevara, which had as its basis the belief that wealth created solely through "moral sense" (*conciencia*) would be the only strategy to yield both abundance and a new socialist man. See Roca, "Cuban Economic Policy in the 1970's: The Trodden Paths," *Studies in Comparative International Development* (New Brunswick, NJ), Spring 1977. Roca's moral economy is equivalent to what Mesa-Lago refers to as the Mao-Guevarist model. See his *The Economy of Socialist Cuba*, esp. Chap. 2.

[38]On the 1984 priorities, see Banco Nacional de Cuba, *Economic Report*, February 1985, pp. 10–11.

[39]On the "baby boom" of the 1960's, see Sergio Díaz-Briquets and Lisandro Pérez, *Cuba: The Demography of Revolution*, Washington, DC, Population Reference Bureau, 1981, p. 22.

A population pyramid for the Cuban population in 1984 shows a bulge for the cohort aged 15 to 19—it accounts for 11.8 percent of the total population compared to 11.0 percent for those aged 20 to 24 and 10.4 percent for those aged 10 to 14. See *Anuario Estadístico de Cuba 1984*, p. 60.

[40]*Anuario Estadístico de Cuba 1984*, p. 102.

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While a targeted 5 percent growth in total exports should be easily attained, the picture is more gloomy when one focuses on *hard-currency* exports. Here Cuba faces continued depression in world sugar prices, the plunge in oil prices, a lack of success in attracting Western joint ventures, and difficulty in penetrating the markets of developed countries. Banco Nacional de Cuba reports that efforts to obtain tariff and non-tariff concessions, and financial support for export marketing studies from Western creditors have been to little avail.[41]

In May 1986, Cuba reportedly announced to Western creditors its intention to suspend payment of interest on the medium-term debt for 90 days and seek additional financing (to the tune of $500 million) in order to confront a serious shortfall of hard-currency revenue.[42] Three exceptional circumstances were cited as being responsible for the worsening in Cuba's financial situation: the drastic change in world oil prices;[43] a poor sugar harvest, primarily the result of serious damage to sugar cane fields inflicted by Hurricane Kate in November 1985, at the very beginning of the 1985–86 *zafra* (sugar harvest); and the weakening of the dollar vis-à-vis other Western currencies.[44] Although more recent reports suggest that Cuba reversed its position and made the interest payments due in May,[45] it is clear that the hard-currency situation remains critical.

The attempt to limit annual growth of imports to 1.5 percent may be even more challenging. Imports rose at an average annual rate of 11.5 percent in 1981–85, and at 8.9 percent in 1985. Cuban industries, particularly some of the ones established or expanded in recent years (e.g., steel, metal products, machinery, electronics, electrical equipment, paper products, and pharmaceuticals), require sizable imports. This is reflected in the high—and rising—share of intermediate products in Cuba's import basket: in 1981–84 they accounted for nearly 65 percent of all imports, compared to 59 percent in 1976–80.[46] Although the inclusion in these statistics of oil—part of which is reexported—clouds the picture somewhat, severe restrictions on the growth of imports of intermediate products will probably result in near-term declines in output, including output for export. Moreover, unless the USSR again revises its oil-pricing formula (with its lagged reflection of world prices)—and there is no evidence that it will—Cuba will find itself paying *above-world-market* prices for Soviet oil for some time.

The 1986–90 plan calls for renewed efforts to conserve energy, including a program to reduce consumption of liquid fuels by 10 percent between 1985 and 1990. Such a program reportedly brought a 20 percent reduction in consumption of liquid fuels in 1981–85.[47] Comparable savings will likely be required of many existing plants in the current five-year period because of new energy-intensive investments expected to come on line in the next five years—a new oil refinery, and plants in nonferrous metallurgy and textiles.[48] The largest potential source of oil savings in the medium term appears to be the nuclear reactors under construction at Juraguá.[49] However, operational status for the first of the reactors, originally set for 1987, now appears to have been set back until 1990.[50] (It remains to be seen what effect, if any, the Chernobyl' accident—which involved different reactor technology—will have on the Cuban nuclear power program.)

Because the plan for 1986–90 has not yet been approved, there is no definitive information on production targets in the agricultural and industrial sectors. The draft plan contained quantitative production targets for 1990 for a very limited number of products. For

[41]On Cuba's trade situation, see Banco Nacional de Cuba, "Estimated Execution of the Main Economic Indicators for 1985," mimeo, 1985, p. 1. For the program of external measures, including the request for over 60 tariff concessions, elimination of over 30 quantitative restrictions applicable to Cuban exports, and for $30 million to co-finance "the implementation of a program of pre-feasibility studies during 1985 and 1986 to promote the maximum use of existing capacities or their partial reorientation toward foreign markets and the identification of opportunities for investment over the next five years and thereafter," see Banco Nacional de Cuba, *Economic Report,* February 1985, pp. 47–63.

[42]Robert Graham, "Cuba Seeks Formula to Renegotiate Debt," *Financial Times* (London), May 1, 1986, p. 4; "Cuba to Suspend Payments," *The Washington Post,* May 1, 1986, p. A30; José de Cordoba, "The Foreign Debt: Castro Suspends Payments," *El Miami Herald,* May 1, 1986, pp. 1, 8; and "Cuba Postpones Payments on Its Foreign Debt," *Diario las Americas* (Miami), May 1, 1986, p. 3A.

[43]See Jorge F. Pérez-López, "Cuba as an Oil Trader: Petroleum Deals in a Falling Market," *Caribbean Review,* Spring 1986.

[44]This last development is ironic given that Cuba does not have trade or financial relations with the United States. It comes about because Cuba's Western debt is denominated in hard currencies other than the US dollar, while the world market prices of its key hard-currency export earners—sugar and oil—are quoted in US dollars. Consequently, as other hard currencies (e.g., West European or Japanese) have appreciated against the US dollar, Cuba has seen a significant increase in its debt service relative to earnings from exports. See Banco Nacional de Cuba, *Balance of Payments Highlights for 1986–1987,* Havana, April 1986, p. 9.

[45]"Havana Reverses Itself, Will Make Debt Payment," *The Wall Street Journal* (New York), May 13, 1986, p. 35.

[46]*Anuario Estadistico de Cuba 1984,* p. 301.

[47]Report on economic performance during 1985 and the plan for 1986 by José A. López Móreno, President of the Junta Central de Planificación, *Granma,* Dec. 31, 1985, p. 2.

[48]As much was admitted by the National Energy Commission, which has outlined a plan to reduce oil consumption from 0.370 kilograms per peso of output to 0.327 kilograms by 1990. "A Warning About Increases in the Demand For and Consumption of Electricity," *Granma,* Feb. 17, 1986, p. 3.

[49]Each of the four 440-megawatt reactors will reportedly displace consumption of 600,000 metric tons of oil products a year. Address by Fidel Castro at the 1st National Energy Forum, *Bohemia,* Dec. 14, 1984, p. 55.

[50]Joaquín Oramas, "The First VVER-440 Reactor at the Nuclear Power Plant Will Be Commissioned in 1990," *Granma,* Mar. 1, 1986, pp. 1, 2.

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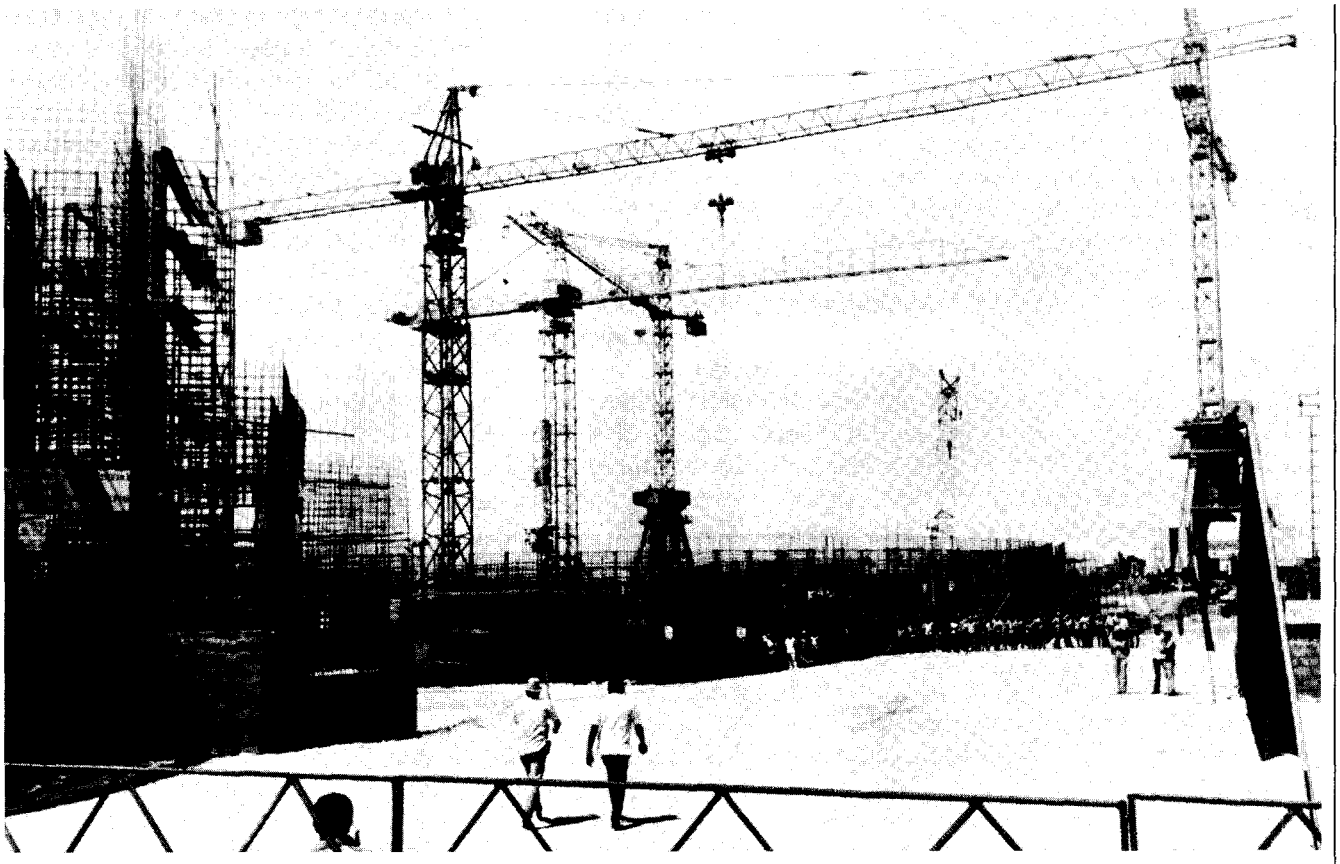

Construction work in October 1985 at Cuba's nuclear power plant in Juraguá.

—TASS from Sovfoto.

yet other products, Castro gave tentative growth rate targets in his Central Report, but since data for 1985 are not available, it is generally not possible to use these growth rates to derive quantitative estimates of output for 1990. For those products for which a 1990 production target has been reported or can be estimated, the figures are given in Table 5 above.

In agriculture, production targets for 1990 are consistent with rapid growth. However, in at least a few instances—e.g., beef and poultry—targets for 1990 are close to, or below, the unfulfilled target for 1985, suggesting that the 1985 targets were unrealistically high. The 1990 target for citrus (1.4 million tons) is very ambitious (40 percent higher than the 1985 target and double the actual production in that year).

Available 1990 targets for industrial products show a mixed picture. Steel and tire manufacturing, stellar performers in 1981–85, are expected to continue to expand. The 1990 production target of 2 million metric tons for oil is extremely ambitious (it averaged 268,000 tons in 1976–80 and 635,000 tons in 1981–85).[51] Impressive growth is also targeted for sugar, nickel, copper concentrate, fertilizers, textiles, leather footwear, and beer—even though these are sectors where production fell short of targets in 1981–85.

Sugar output is expected to reach 9.6 million metric tons by 1990. Hurricane Kate clearly got the endeavor off to a bad start, causing a 1,000 million pesos of damage to sugar cane, rice, and other crops. Cuba now estimates the 1985–86 sugar harvest at 7.1 million tons against an earlier projection of 8.1 million.[52] However, the effects of such a storm are short-term, and production can be expected to recover in subsequent years.

Large increases in nickel production are doubtless contingent upon the anticipated commissioning of new processing facilities, particularly a new plant at Punta Gorda, with an annual capacity of 30,000 tons. Howev-

[51]Cuban Vice President Carlos Rafael Rodríguez is more circumspect, indicating that "by the year 2000 there are possibilities of increasing oil production to 2 million metric tons." See interview with Rodríguez, "The Cuban Economy: A Realistic View," *Cuba Internacional* (Havana), February 1985, p. 40.

[52]Banco Nacional de Cuba, *Balance of Payments Highlights for 1986–1987*, p. 6.

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er, that project has been beset by construction delays and technical problems, and may not be brought to full capacity until 1990.[53]

Turning to social consumption, we see from Table 5 that the 1986–90 plan foresees steady improvements in the area of health services.[54] Castro placed special emphasis on a "family doctor" program—involving some 8,000 physicians and like number of nurses—aimed a bringing health care closer to the users, including those in rural areas. In his closing address to the Third Congress, Castro boldly stated that by 1990, Cuba expects to have surpassed the United States with regard to the health of its population as measured by the infant mortality rate, life expectancy at birth, and similar indicators.[55]

Regarding education, the rate of enrollment in higher education by persons over 17 years of age is expected to remain unchanged over the period 1986–90. Although this represents a backing-off from the original rates targeted for 1985 (39 per thousand), attainment of the goal against a rapidly expanding over-17 population would be a significant achievement.

In the area of nutrition, the 1990 targets project some improvement with regard to actual consumption levels attained in 1985, but no significant improvement over levels which had been proejcted for 1985. It is unclear what effect the recent abolition of the free peasants' markets will have on the availability of food—and nutrition levels of the population—during the second half of the 1980's.

The state is slated to construct 185,000 housing units in 1986–90 (up from 126,000 in 1981–85, but below the original 200,000-unit target for that period). Castro has indicated that the recently reinstituted microbrigades, groups of workers on enterprise rolls assigned to work in the construction industry, will be concentrated on housing construction and are expected to build 10,000 housing units annually.[56] Because of organizational start-up problems, the microbrigades are likely to have only a marginal impact on housing construction during 1986, although they might make a significant contribution in subsequent years.

[53]See, e.g., Ciro Bianchi Ross, "Punta Gorda Revealed," *Cuba Internacional*, October 1984; and Canute James, "Cuban Nickel Plant on Hold," *The Journal of Commerce* (Phillipsburg, NJ), June 19, 1986, p. 5A. The latter source also suggested that low nickel prices may be a factor in the delay.

[54]Castro's speech indicated an even higher target for hospital beds per capita (6.2) than that given in the draft plan (5.8). Cf. Castro's Central Report, loc. cit., p. 63, and *Lineamientos económicos y sociales para el quinquenio 1986–90*, Directive Number 302.

[55]*FBIS-LAM*, Feb. 10, 1986, pp. Q/28–29.

[56]On the restoration of microbrigades, see Castro's June 1986 speech, loc. cit., p. Q/14.

Shaking Up Planning and Policy

Perhaps the most interesting aspect of the 1986–90 plan besides its failure to gain formal adoption at the Third Congress (and possibly even a factor contributing to that failure) was the organizational shuffle in late 1984 that evidently reduced the role of JUCEPLAN in the whole process of national economic planning and control. Until then, JUCEPLAN had had full responsibility for preparing annual, five-year, and long-term social and economic development plans. Cuba's first two five-year plans (for 1975–80 and 1981–85) were prepared under the leadership of Humberto Pérez, who had been president (with rank of minister) of JUCEPLAN since the early 1970's.

However, in December 1984, in the course of reporting Cuba's economic results for l984 and the plan for 1985, Pérez revealed that since late November, a new "Central Group" had been established to review the plans prepared by JUCEPLAN for 1985 and for 1986–90.[57] The Central Group, which was established at the conclusion of a three-day meeting called by Castro to conduct an in-depth review of economic performance, hard-currency balance-of-payments difficulties, and general management problems in relation to plans for 1985 and subsequent periods, was composed of the vice-presidents of the Council of Ministers, ministers with responsibilities in the economic area, and party representatives. Chairmanship of the Central Group was given not to Pérez, but to Osmani Cienfuegos, a vice-president in charge of the State Committee on Finance, the State Committee on Labor and Social Security, the State Committee on Material-Technical Supply, and the National Tourism Institute. It was subsequently revealed that the Central Group had developed the basic guidelines and control parameters for the new plan and evaluated the economic feasibility of more than 30 investment projects. In a triumph of Cuban bureaucratism, the Central Group reportedly had drafted 291 highly qualified technicians from government agencies to staff out these studies.[58]

In mid-1985, Pérez was relieved of his duties as minister-president of JUCEPLAN and a vice-president of the Council of Ministers. He was replaced by José López Móreno, at the time minister of construction. Pérez also lost his position as an alternate member of the Cuban Communist Party's ruling Political Bureau.

[57]"Speech of Humberto Pérez On the Draft Law for the Economic and Social Development Plan for 1985," *Granma*, Dec. 29, 1984, p. 2.

[58]*Granma*, Dec. 31, 1985, p. 2.

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His personal travails appear to reflect the fall from favor of JUCEPLAN—and, more important, of the market socialism model it had espoused—in the eyes of Castro and possibly of other Cuban leaders.

Pérez is a Soviet-trained technocrat versed in economics and Marxism-Leninism, who had taught in a variety of Cuban party and government institutions and had served on the economic studies commission of the Organization Department of the Secretariat of the Cuban Communist Party. He served as Executive Secretary of the National Committee for Implementation of the Economic Management and Planning System (Sistema de Dirección y Planificación de la Economía—SDPE), a Soviet-style system of measures, embraced in 1976, aiming at introducing rationality into the economy through the granting of more autonomy to enterprises and the selective use of market instruments (e.g., budgets, prices, interest, and wages tied to productivity).[59] In 1979, he became one of 12 vice-presidents of the Council of Ministers, with responsibility for overseeing JUCEPLAN, the state committees for prices and for statistics, and the National Institute for Automated Systems and Computation Techiques,[60] and in 1980 was named an alternate member of the party Political Bureau.

The nature of the changes being pursued under the SDPE was evident from a report by Pérez to an October 1982 national plenary session reviewing the system's implementation. He reported:

- Significant advances in standardizing accounting methods in enterprises and in establishing an auditing program;
- Improvement in the national statistical system and progress in developing a new input-output table;
- Headway in introducing a system of financial controls, operated by the Banco Nacional, and in using credit as an instrument to promote enterprise autonomy and efficiency;
- The reform of wholesale prices in 1981;
- Progress in utilizing the State Arbitration System to settle disputes among enterprises;
- Establishment of work norms for 72.3 percent of workers, and tying of pay to performance in the case of 1.2 million out of a total of 2.9 million workers in the state sector;
- Important advances in product standards and quality control;
- Improvement in financial controls over units (productive and non-productive) financed from the state budget;
- Significant strides in training technicians and cadres to implement SDPE.

While asserting that "no mechanism [of SDPE], no structure, no organization" was "immovable," Pérez stressed the importance that "[SDPE] remain . . . as a system and not as a loose group of mechanisms, uncoordinated or at odds with each other, or not related to our real possibilities."[61]

Fidel, too, once spoke as fervently of SDPE. At the Second PCC Congress, in December 1980, he had termed it "a revolutionary duty, a political duty" of everyone in the state, party, and mass organizations "to work coherently and do their utmost so that we can meet the objectives of implementing the [SDPE]. . . ."[62] However, by the Third PCC Congress, he was in a mood to ignore the SDPE when speaking of the economic accomplishments of the preceding five years, and to reserve his comments about it for the section of his report dealing with "deficiencies and faults":

After an initial push to implement the SDPE, coherent work to make it work better was not done. The drive to do so was lost, and there was a lack of creativity in adapting to our specific conditions a system which, to a considerable extent, had been taken from foreign experiences. . . .

The [SDPE], insofar as profitability of enterprises is concerned, can be a complete fraud if we pretend to resolve the problem of lack of profitability by increasing the prices of goods, construction, and productive services.

Prices of some maintenance services, construction and transportation services—just to mention a few—are scandalously high. This serves the purpose of hiding inefficiencies, unnecessary workers, and excessive expenses. I believe we have much to learn regarding efficiency, and we should not behave as sorcerers' apprentices, that is, as capitalists' apprentices. If these deficiencies are not overcome, the SDPE will cease to be an engine in our development.[63]

Regarding the future of the SDPE, Castro was quite circumspect, offering yet another bureaucratic solution. He announced that responsibility for "revitalizing" the SDPE would be entrusted to a new organization,

[59]For an interesting comparison of management of Cuban enterprises under the SDPE and in the Soviet Union see Sergio Roca, "Management of State Enterprises: A Comparison of the Soviet Union and Cuba," forthcoming in *Journal of Comparative Economics*.

[60]*Granma*, Jan. 11, 1980, p. 1

[61]Ibid., Oct. 5, 1982, p. 2.

[62]See *Bohemia*, Dec. 26, 1980, p. 42.

[63]Castro's Central Report, loc. cit., p. 59.

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the National Commission for the System of Economic Management, a ministerial-rank commission reporting to the Executive Committee of the Council of Ministers.[64] However, since the Congress, Castro has hardened his rhetoric in criticizing the management of the economy and has excoriated individualist tendencies in the population and the corruption, the drive for personal enrichment, and misuse of resources that he associates with incipient capitalism and consumerism. In an address in April commemorating the 25th anniversary of the Bay of Pigs victory, he equated the fight to eradicate inefficiency and corruption with that against the Bay of Pigs invaders:

. . . now we are not fighting against the mercenaries. We do not have mercenary invasions. But we have mercenaries. They are people who play the role of mercenaries. Sometimes they are even good people, people whom we call good. They are people who are willing to fight for the revolution but who do things that go against the interests of the revolution. . . . [We] have people who are apathetic and negligent. These are the people . . . who do not want to participate in the struggle. They are irresponsible people. They are people who are not too demanding within the sphere of their responsibilities. They are tolerant people. We have people who seek privileges. We see people who want to make easy money not from their work, but from crooked deals, speculation, and illegal businesses.[65]

Examples cited by Castro included artists who sold paintings privately to the public and to state institutions, earning more than 200,000 pesos a year compared to salaries of 5,000–6,000 for physicians; abuses in peasant free markets where high prices were charged and where peasants sometimes sold goods that under existing production quotas should have been turned over to the state; state organizations that overcharged for special jobs such as sheet metal work or maintenance; and misappropriation of state resources (such as building materials) or use of state vehicles and equipment for personal gain.

But Castro's remarks had a more fundamental agenda. He stated:

The first thing that a revolutionary cadre, a socialist cadre, a communist cadre must ask himself is not if his enterprise profits more, but how the country profits more. From the moment that we have so-called businessmen who worry more about the enterprise than the interests of the country, we have out-and-out capitalism. The SDPE was not made for that, not to begin playing at capitalism.[66]

He drove this point home again in his June speech at the conference on enterprise management:

All enterprises, regardless of how important the profitability factor is, must think about the country's interests, about the interests of society. When an enterprise begins to think like a profit-oriented enterprise only, we are talking about a capitalist enterprise, an inferior-quality enterprise. . . . Protecting the moral sense [conciencia] of the workers is more important than meeting a certain goal. If I were at an enterprise and had to choose between protecting the moral sense of the workers by acting honestly, and meeting the enterprise's goal, you can be sure that I would protect the moral sense of the workers and act honestly. This is more important. We cannot go and meet goals at any cost.[67]

In his June speech, Castro spoke with nostalgia of the idealistic and moralistic economic policies of the early 1960's. He acknowledged that the current system had been copied from the experience of other countries to cope with the resulting economic problems. But he added:

I think these experiences, the one from the past and the current one, must teach us that each revolution must strengthen and develop its own style and methods. We made mistakes when we all but rejected the experience of others, and we made mistakes when we copied the experience of others under different historical circumstances, with different developments, in different geographical conditions, and with a different state of mind and psychology.[68]

Although Castro was quick to point out that he was not suggesting doing away with the current economic model and the SDPE, that having a management system was essential, and that it made sense to "fix up" the one already in place, he nevertheless proclaimed his "revolutionary counteroffensive" so as to root out incipient capitalism and consumerism and restore moral values to the economy.

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[64]Ibid., p. 64. In June 1986, it was reported that the Commission had been formally established and that Joaquín Benavides Rodríguez, at the time minister-president of the State Committee on Labor and Social Security, had been selected to head it. See Lourdes Meluza, "The Decline of the Cuban Economy Provokes a Change," *El Miami Herald*, July 2, 1986, p. 1.

[65]For an English translation of the April 20 address as broadcast nationally in Cuba, see *FBIS-LAM*, Apr. 22, 1986, at p. Q/19.

[66]Ibid., p. Q/20.

[67]Loc. cit., p. Q/22.

[68]Ibid., p. Q/10.

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Housing units erected at Alamar in 1981 with the help of construction microbrigades. The sign reads "The Force of the Radical Party in Close Linkage with the Masses."

—Roberto Martínez/Photoresearchers.

And the leader's words were not empty. Already in May, at a national convention of members of agricultural cooperatives, Castro had announced that free peasant markets were to be eliminated—they were closed down overnight.[69] The reinstitution of the microbrigades to work on housing construction was another assault on the principles of SPDE—the microbrigades had been phased out earlier precisely because they inflated the payroll of enterprises and clashed with the accountability standards of the reform system.[70] "Suspension" of pay bonuses based on productivity gains was announced in May.[71] In compliance with new regulations prohibiting direct sales of houses and apartments by one private party to another, the monthly tabloid *Opina,* organ of the Internal Demand Institute (Instituto de la Demanda Interna), discontinued in mid-1986 its very popular classified listings of housing exchanges. Intention to modify the system of copyright payments, presumably to reduce payments to authors who were perceived as becoming too rich, was also announced.[72]

It is uncertain what further steps along these lines will be taken by the Cuban government, and if so, when. Two areas that appear ripe for action, however, are self-employment and worker indiscipline. A move to tighten discipline would complement the recently issued standards delineating accountability by managers, cadres, and workers for losses and damages which result from negligence and carelessness in the work place.[73] Central to the current uncertainty is the fact that Castro has placed himself squarely in charge of the counteroffensive and has chosen to announce one move at a time, magnifying the drama of each action and recreating the imagery of victorious guerrilla strikes from different directions at the weak spots of a strong enemy.

There is little doubt that the 1986 counteroffensive and the organizational changes of 1984 and 1985—which brought the responsibilities for the preparation of the plan under the purview of the Political Bureau of the Cuban Communist Party—have enhanced Castro's personal influence on economic policy-making and on the planning and management of the economy, while reducing that of institutions such as JUCEPLAN and of those who favor a limited operation of market forces (e.g., Humberto Pérez and even Vice President Carlos Rafael Rodríguez.)[74]

Despite the intervention of the Central Group in the planning process, it is reasonable to assume that the economic growth targets in the draft 1986–90 economic plan basically presupposed a continuation of the market socialism model that had been followed since the mid-1970's. How Castro's campaign progresses during the remainder of the year and what changes will appear in the plan presented at the extraordinary December reconvening of Third Congress delegates will give a clearer view of how far he is prepared and/or able to go in moving away from that model toward the model of a moral economy.

The potential impact of such a policy shift on the ability of the Cuban nation to deal with the serious economic challenges facing it in the years ahead should not be underestimated. Cuba's experimentation with moral incentives in the mid-1960's proved to be disastrous from an economic standpoint. Two decades later, if Castro moves Cuba again in that direction, there is every reason to believe that the outcome will be the same.

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[69]Alberto Pozo and Magda Martínez, "The Beginning of the End for the Weeds," *Bohemia,* May 23, 1986; and "We Have Held A Meeting That Was Really Fruitful, an Historic Meeting," *Granma,* May 19, 1986, pp. 1–3.

[70]On the thinking behind the earlier phasing out of the microbrigades, see Castro's June 1986 speech, loc. cit., p. Q/14.

[71]*Granma,* May 30, 1986, pp. 1–3.

[72]Castro's June 1986 speech, loc. cit., p. Q/15.

[73]The decree issued by the Council of State on 22 May 1986 appears in *Trabajadores* (Havana), May 26, 1986, p. 2.

[74]This assessment is given in Clifford Krauss, "Fearing a Surge of Cuban 'Speculators,' Castro Reimposes Rigid Central Control," *The Wall Street Journal,* July 24, 1986, p. 27. Elsewhere, Rodríguez is quoted as saying that Cuba needs "managers of a new type. We don't want managers with capitalist ideas, but we need people with initiative and responsibility. We have to produce socialist [Lee] Iacoccas." See *The Journal of Commerce,* June 9, 1986, p. 5A.

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The Soviet-Syrian Relationship

Pedro Ramet

Soviet relations with states in the developing world are typically characterized by Soviet efforts to institutionalize the relationship, client efforts to obtain the maximum possible assistance from the USSR at the lowest possible cost, and a general tendency for the Soviets to defer to the client where the latter's core interests are concerned. In the resulting relationship, the client typically enjoys greater influence over Soviet behavior, within the regional subsystem, than vice versa.

In this article, I shall argue that these conditions also obtain in the Soviet-Syrian relationship. The Soviet Union's concern to maintain its links with Syria has led, on the one hand, to efforts to expose Syrian elites to Soviet organizational and institutional procedures, in the hope that growing institutional cooperation may reinforce the relationship by creating a natural compatibility between parallel institutions of the two countries. On the other hand, it has led to a situation in which the Soviets find themselves letting the Syrians call the shots in the Middle East environment. Far from having acquired tangible influence over Syrian foreign policy, the Kremlin often finds that within the constraints of the relationship, it is the Syrians who enjoy influence over Soviet actions. The limits of Soviet influence over Syria are most evident in times of crisis, when Soviet-Syrian policy "coordination" (prescribed by the friendship treaty of 1980) vis-à-vis the Palestine Liberation Organization (PLO), Lebanon, or Iraq turns out to be minimal, and the Syrians retain the initiative.

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Soviet-Syrian Ties

The Soviet-Syrian relationship is an extensive one. In terms of credits, military cooperation, and economic-technical assistance, Syria is clearly favored among Soviet client states in the Third World. In many ways, Syria has become the centerpiece of the Soviet presence in the Middle East in the 1980's, just as Soviet assistance has long been the mainstay of Syrian military strength, offensive and defensive.

For over 20 years, Syria has obtained the bulk of its military hardware from the USSR. The purchase of Soviet arms has been accompanied by a sizable Soviet military presence in Syria, as first weapons instructors, and then military personnel and missile battery operators were dispatched.[1] By mid-1984, there were 13,000 advisers from the Soviet bloc in Syria, of whom at least 7,000 were from the Soviet Union itself.[2] Since some of these personnel were withdrawn during 1985,

[1]Trond Gilberg, "Eastern European Military Assistance to the Third World," in John F. Copper and Daniel S. Papp Eds., *Communist Nations' Military Assistance*, Boulder, CO, Westview Press, 1983, p. 78.

[2]This figure included 4,000 economic advisers (about 1,000 from the USSR, the rest, mostly from Czechoslovakia, East Germany, and Romania, although a small number were from Bulgaria and Poland); about 7,000 Soviet and Bulgarian military advisers and troops, and about 500 Cuban soldiers, and 1,500 Soviet and East European advisers linked to the KGB and other security services, of whom about 500 were East Germans. The numbers were derived from the following sources: "The Russians Move into Syria," *Foreign Report* (London), July 9, 1980, p. 1; Thomas Ammer, "Honecker's Near East Trip in October 1982," *Deutschland Archiv* (Cologne), December 1982, p. 1316; *World Affairs Report* (Stanford, CA), October 1982-February 1983, p. 65; *The New York Times*, Oct. 16, 1983; Richard Bernstein, "The UN versus the US," *The New York Times Magazine*, Jan. 22, 1984, p. 22; *Ekonomicheskoye sotrudnichestvo stran-chlenov SEV* (Economic Collaboration of CEMA Member States), February 1984, trans. in Joint Publications Research Service (JPRS), *USSR Report* (Washington, DC), UIE-84-013, June 7, 1984, p. 58; D. L. Price, "Arab Detente and Iranian

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Soviet specialist V. Vorb'yëv with Syrian construction workers at a hydroelectric project in Syria.

—TASS from Sovfoto.

the number of Soviet military advisers present in 1986 was estimated at 2,000–2,500.[3] The Soviet military appears to be particularly conscious of the advantages of having a military presence in Syria and, in their writings, some Soviet military officials have indicated a linkage between a forward presence in the eastern Mediterranean and the defense of the USSR.[4]

The Soviet-Syrian relationship, now some 30 years old, has developed into a multifaceted and on the whole mutually beneficial connection. Syria's utility to Moscow is neither economic nor necessarily a matter of Syrian susceptibility to influence. It derives above all from the fact that the Syrian connection assures the USSR a role in Middle East politics. The Soviet bloc's military and intelligence presence has on occasion led to frictions. At times, the Soviets have refused to release the fuses for surface-to-air missile systems to Syrian officers. They have guarded their operations from the Syrians in other ways as well, so that in 1975 the Syrian foreign minister at the time, Abd al-Halim Khaddam, complained that Soviet advisers behaved like "a state within a state."[5]

Syria has proved also useful to the Kremlin in ways other than giving the Soviet Union a presence in the area. For example, there are a variety of guerrilla and terrorist camps in Syria, where Turks, Armenians, Palestinians and others receive training, in part under the tutelage of Soviet and Bulgarian trainers and supervisors.[6] Syria has transferred weaponry to the PLO, and there are reports that Moscow has also transferred arms to Africa and distant parts of Asia through Syrian and Palestinian channels.[7]

Some analysts consider it very likely that the Soviets have penetrated Syrian security services.[8] Certainly, the Soviet intelligence presence in Syria and Lebanon was tangibly strengthened in the spring of 1980.[9] In its penetration efforts, Moscow also has not neglected the Syrian armed forces.[10] In the summer of 1983, there were reports that the Soviets were trying to recruit agents in the Syrian air force. These rumors seemed to be confirmed when President Hafiz al-Assad ordered a number of Soviet officers to return to the USSR.[11] Yet, ties between the Soviet and Syrian military establishments are close, extending even to cooperation between the political directorates of the two armies in the sphere of political education.[12]

The Soviets have been debating, ever since the days of Nikita Khrushchev, which criteria to use in favoring one Third World client over another, and the means whereby a cooperative linkage with Third World states could best be institutionalized and solidified.[13]

Chill," *Soviet Analyst* (London), June 27, 1984, p. 5; and interview with Paul B. Henze, Resident Consultant, Rand Corporation, Washington, DC, Sept. 5, 1984. These calculations are separately confirmed in *Le Monde* (Paris), May 26, 1983.

[3]*The New York Times*, Dec. 16, 1985, and Jan. 26, 1986; and Kati Marton, "Peril or Possibility: America and Syria at the Crossroads," *Middle East Insight* (Cleveland, OH), No. 6, 1986, p. 19.

[4]The Soviet military seems to have been the first institutional actor in the Soviet policy-making establishment to shift its emphasis from Egypt to Syria in the early 1970's. See Ilana Kass, *Soviet Involvement in the Middle East: Policy Formulation, 1966–1973*, Boulder, CO, Westview Press, 1978, pp. 102, and 209–10.

[5]Quoted in John K. Cooley, "The Shifting Sands of Arab Communism,"*Problems of Communism* (Washington, DC), March-April 1975, p. 33.

[6]Paul B. Henze, *Drugs, Arms, Terrorism and Destabilization—the Kremlin's Formula for Undermining the West*, Statement for the Senate Subcommittee on Alcoholism and Drug Abuse, Aug. 2, 1984; Paul B. Henze, "The Long Effort to Destabilize Turkey," *The Atlantic Community Quarterly* (Lexington, MA), Winter 1981-1982, pp. 469–70; Michael M. Gunter, "The Armenian Terrorist Campaign against Turkey," *Orbis* (Philadelphia), Summer 1983, pp. 472–73; and Michael M. Gunter, *Contemporary Aspects of Armenian Terrorism, International Terrorism and the Drug Connection*, Ankara, Ankara University Press, 1984, pp. 131–32.

[7]George Kurian, *Encyclopedia of the Third World*, New York, Facts on File, 1981, Vol. 3, p. 1704; and Henze, *Drugs, Arms and Terrorism*, loc. cit., p. 6.

[8]Interview with Paul B. Henze, Washington, DC, Sept. 5, 1984.

[9]"The Russians Move into Syria," *Foreign Report*, July 9, 1980, p. 4.

[10]Ibid.

[11]Cited in Carol R. Saivetz and Sylvia Woodby, *Soviet–Third World Relations*, Boulder, CO, Westview Press, 1985, p. 131.

[12]*Krasnaya Zvezda* (Moscow), Oct. 5, 1983, trans. in Foreign Broadcast Information Service, *Daily Report: Soviet Union* (Washington, DC—hereafter *FBIS-SOV*), Oct. 13, 1983, p. H/3.

[13]See Francis Fukuyama, "The Rise and Fall of the Marxist-Leninist Vanguard Party," *Survey* (London), Summer 1985; Jerry F. Hough, *The*

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As Francis Fukuyama has noted, the Soviets, after a series of setbacks in the developing world in the mid-1960's, began to place emphasis on the "necessity" of encouraging the development of vanguard parties.[14] Parallel with this, the Soviets also showed interest during the Brezhnev era in institutionalizing relationships and in using institutional frameworks to create "natural" channels of cooperation.

In Syria, one can see examples of this approach quite early when, in 1965, the German Democratic Republic helped Syria reorganize its ministry of finance "so that it may conform to the present phase of [Syria's] socialist evolution."[15] This was followed by another agreement providing for East German assistance in reorganizing various other Syrian ministries. Soviet credits to Syria have invariably been extended to the state sector, and the Soviets have periodically commended Syria for "progressive" and "positive" economic and social developments. By contrast, when a 1973 Syrian legislative decree eased restrictions on foreign trade and investment, giving a sudden spur to the private sector, the Soviets denounced it as a "negative" trend, despite the boost it gave to the Syrian economy.[16] Why? Most likely because the Soviets appreciated that private investments originating in Saudi Arabia and the Arab sheikdoms and private entrepreneurs interested in quality imports and dynamic markets would not provide a stable basis for economic relations with the Soviet bloc. Therefore, for pragmatic reasons, the Soviets have preferred to encourage the development of Syria's state sector rather than have the private sector grow. They seem aware that the state sector would be a natural customer for East bloc administrative and economic skills, while the private sector would be apt to develop ties in the West. Even so, the bulk of Syrian trade is still with the West.

The Soviets set up model collective farms for Syria, and with Soviet encouragement, the share of the private sector in agricultural production declined from 82 per cent in 1972 to 66 per cent by 1982.[17] As of 1986, the state owns all "strategic industries" in Syria, including sugar refining and wool spinning.

The CPSU and Syria's ruling Baath party have established routine party-to-party consultations and exchanges, along with cooperation between the political directorates of Soviet and Syrian armed forces, youth organizations, and so forth. The Soviets believe that similar institutional patterns make for similar political practices, common experiences, and compatible channels for cooperation.

Thus, when Soviet writers speak of Syria or other Third World nations as having embarked on a "non-capitalist path"—or when they speak of the principles of the Soviet New Economic Policy of the early 1920's as being better suited to Third World conditions than the orthodox Leninist-Stalinist model or a pluralist system of the Western mold[18]—this attitude does not signify an indifference to institutional forms and therefore to inter-institutional contacts. Advisory, administrative, support, and training contacts are dimensions of institutional forms and instruments of policy to which the Soviets are anything but indifferent.[19]

Syria's 1976 Intervention in Lebanon

As Carl W. Backman noted in 1970, crises in relationships—whether interpersonal or international—frequently provide an impetus to redefine the relationship, often through "formalized codes" or agreements.[20] Syria's intervention in Lebanon in 1976 seriously shook the Moscow-Damascus relationship by showing Moscow the limits of its influence on Damascus. It led directly to Soviet demands for greater military coordination and for consultations prior to Syria's undertaking such actions in the future.

By early 1976, Lebanon had collapsed into civil war, in which Syria was the major regional power involved. The Soviet Politburo, wishing to prevent an escalation of Syrian involvement, dispatched Premier Aleksey Kosygin to Damascus to dissuade President Assad from sending Syrian troops into Lebanon. Just before Kosygin's arrival on June 1, Assad (who had already

Struggle for the Third World: Soviet Debates and American Options, Washington, DC, The Brookings Institution, 1986; and Elizabeth Kridl Valkenier, "Development Issues in Recent Soviet Scholarship," *World Politics* (Princeton), July 1980.

[14]Fukuyama, loc. cit., p. 122.

[15]Quoted in George Lenczowski, *Soviet Advances in the Middle East*, Washington, DC, American Enterprise Institute for Public Policy Research, 1972, p. 113.

[16]See, for example, Y. Glukhov, "Syria Today: Work and Struggle," in *International Affairs* (Moscow), December 1978, p. 115.

[17]Daniel Pipes, "Syria: The Cuba of the Middle East," in *Commentary* (New York), July 1986, p. 20.

[18]A.P. Butenko, "Some Theoretical Problems in the Transition to Socialism by Countries with an Underdeveloped Economy," in *Narody Azii i Afriki* (Moscow), No. 5, 1982, pp. 70, 72; Yuri S. Novopashin, "The Impact of Real Socialism on the World Revolutionary Process: Methodological Aspects," *Voprosy Filosofii* (Moscow), No. 8, 1982, pp. 6–13; and A.M. Zakharov, "The Situation and Struggle of the Working Class of Syria," *Narody Azii i Afriki*, No. 3, 1968, p. 13. For a general discussion of this reassessment, see Thomas J. Zamostny, "Moscow and the Third World: Recent Trends in Soviet Thinking," *Soviet Studies* (Glasgow), April 1984.

[19]Yevgeniy Primakov explicitly links pursuit of the "non-capitalist path" to broad support from the Soviet bloc. See his "Countries of Socialist Orientation: A Difficult but Real Transition to Socialism," *Mirovaya Ekonomika i Mezhdunarodnyye Otnosheniya* (Moscow), July 1981, p. 4.

[20]Carl W. Backman, "Role Theory and International Relations," *International Studies Quarterly* (Columbia, SC), September 1970, p. 316.

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intervened earlier with Syrian-controlled forces on the side of Lebanon's President Sulayman Franjiyah against defiant units of the Lebanese army and his Palestinian Liberation Organization opponents) sent 4,000 regular Syrian troops and 250 tanks into Lebanon. This intervention presented Moscow with a fait accompli and created a dilemma for the USSR insofar as Syrian troops were now fighting their former Palestinian allies who were also clients of Moscow. Thus, the intervention overtly pitted one Soviet client against another.

Although Moscow's reaction was not immediate, once the Soviet press began to write about the situation, the Syrian action was denounced quite unequivocally.[21] On June 9, TASS issued a statement declaring that Syria's intervention was contributing to the bloodshed in Lebanon. On July 5, Syrian Foreign Minister Khaddam went to Moscow for talks—possibly at Soviet insistence—with Soviet Foreign Minister Andrey Gromyko. By this time, there were 15,000 Syrian troops in Lebanon. The views of Moscow and Damascus were so divergent that no joint communiqué was issued at the conclusion of the visit. Instead, TASS reported briefly on July 7: "There was an exchange of views on the situation in the Middle East as well as on other international problems of mutual concern."[22] Two days later, the Soviet Afro-Asian Solidarity Committee declared that "the involvement of Syrian military units in Lebanon has further aggravated the situation."[23] On July 11, Soviet General Secretary Leonid Brezhnev sent a letter to Assad containing the following passage:

The Soviet Union feels disquiet over the position taken by Syria [in Lebanon] . . . . We insist that the Syrian leadership should take all possible measures to end its military operations against the [Palestinian] Resistance and the Lebanese National Movement. There must be an immediate cease-fire in Lebanon. You can contribute to this by withdrawing your troops from Lebanon. . . . We are convinced that such moves correspond with Syria's own interests . . . [because otherwise] the imperialists and their collaborators will be able to bring the Arab people and the area's progressive movements under their control.[24]

On July 16, *Pravda* wrote that Syria was plunging "a knife into the back" of the Palestinian movement.[25] Finally, as a material sign of its displeasure, the Soviet Union suspended deliveries of military equipment and spare parts to Syria and delayed the signing of new arms contracts.[26]

Brezhnev's position was reflected in the Soviet press, whose reports on the situation in Lebanon were by July quite uniform. For example, *Krasnaya Zvezda* ran TASS dispatches on the Lebanese crisis verbatim. The general line was low-key but decidedly pro-PLO. The fighting between Syrian and Palestinian forces was described as "real 'manna from heaven' for all those interested in prolonging the Lebanese crisis."[27] When Syria and the PLO made an (unsuccessful) attempt to negotiate in late July, *Pravda* optimistically speculated that "the natural state of affairs is being restored and that recognition of the lasting importance of relations between Syria and the Palestinian movement has proven stronger than all the artificial, extraneous matters and complications that have arisen during the events in Lebanon."[28]

But as the Syrian forces started to best their Lebanese and Palestinian opponents, Moscow's coverage of Syrian actions softened. *Pravda,* without comment, quoted Assad as saying:

We went into Lebanon in order to restore peace and order in that country and also to thwart conspiracies against our people and the Arab nation. Unfortunately, some Palestinian leaders fell into a trap. However, guided by confidence in the purity and justice of our aims, we shall restore a normal situation.[29]

In a statement issued at the end of September, even the Soviet Afro-Asian Solidarity Committee restricted itself to the rather bland comment that it was "particularly alarming" that Syrian troops in Lebanon were still being used against the PLO.[30]

It is therefore not surprising that the Soviet Union came to be resented by both sides to the conflict, and

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[21]Galia Golan speculates that the Soviets might have especially wanted to oppose the Syrians in this specific case since Damascus had openly rebuffed Kosygin and obviously was not particularly interested in Soviet views on the Lebanon situation. See her *The Soviet Union and the Palestine Liberation Organization: An Uneasy Alliance,* New York, Praeger, 1980, pp. 186–87.

[22]*Pravda*, July 7, 1976.

[23]Quoted in Morris Rothenberg, "Recent Soviet Relations with Syria," *Middle East Review* (New Brunswick, NJ), Summer 1978, p. 6.

[24]Quoted in Adeed I. Dawisha, *Syria and the Lebanese Crisis,* New York, St. Martin's Press, 1980, p. 137.

[25]*Pravda* (Moscow), July 16, 1976, as quoted in Robert O. Freedman, *Soviet Policy Toward the Middle East Since 1970,* 3rd ed., New York, Praeger, 1982, p. 250.

[26]Roger F. Pajak, "Soviet Arms Aid in the Middle East Since the October War," in *The Political Economy of the Middle East: 1973–78,* A Compendium of Papers Submitted to the Joint Economic Committee, Congress of the United States, Washington, DC, US Government Printing Office, April 21, 1980, p. 480.

[27]*Pravda,* July 16, 1976.

[28]Ibid., Aug. 4, 1976.

[29]Ibid., Sept. 27, 1976.

[30]Ibid., Oct. 1, 1976.

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that it proved marginal in its resolution. PLO leader Yasir Arafat believed that Moscow's stance had been too cautious. His forces were routed by the Syrian army, and Moscow did nothing to save the situation. Indeed, it was through the mediation of Saudi Arabia and Kuwait that a ceasefire and stabilization of the situation finally came about.[31] Assad, too, resented Soviet obstruction of arms deliveries and retaliated by reducing the number of Soviet military personnel. In the space of a few months, several thousand Soviet military advisers were sent home. Syria also halted the program of sending its own military to the USSR for training, and is said to have considered terminating Soviet naval privileges at Al Ladhiqiyah (Latakia) and Baniyas.[32] In January 1977, Syria did, in fact, ask the Soviet Union to remove its submarines and support craft from Tartus.[33]

Thus, while Syria was unable to obtain Soviet backing, it also was not deterred from its course of action by Soviet recriminations and appeals. In September 1976, Assad commented: "We have a different point of view [from the Soviets], which is not subject to compromise, because it is based on our firm national principles and interest."[34]

The period from mid-1976 to mid-1977 represented a low point in Soviet-Syrian relations. As mentioned earlier, the temporary settlement in Lebanon was arranged at the initiative of Saudi Arabia and other moderate Arab states. In this period of strain between Moscow and Damascus, Washington and Damascus found themselves drawn closer together, and US-Syrian diplomatic ties were renewed. But by the end of 1977, after several exchanges of visits, the Soviets and Syrians had effected a rapprochement.[35] A sign of this improved climate was Moscow's agreement in January 1978 to increase deliveries of military hardware to Syria. The Syrian army's chief-of-staff, Major General Hikmat al-Shihabi, was in Moscow at the end of February as head of a military delegation whose obvious purpose was to spell out Syria's arms needs and to work out the details of the arms transfer. Syria received 12 MiG–27's from the Soviet Union during 1978, which were paid for by Libya in hard currency.[36]

The Syrian intervention in Lebanon had prompted some soul-searching in Moscow with regard to its relationship with Syria. Moscow began to omit Syria from among the countries that it defined as having a "socialist orientation," and it joined the Syrian Communist Party in criticizing "unprogressive" developments in Syrian domestic policy.[37] More important, the Politburo felt that Soviet-Syrian relations had to be redefined, preferably through some formal mechanism, and it began to press Damascus to conclude a treaty of friendship and cooperation. For example, when Foreign Minister Gromyko visited Damascus in March 1979, he stressed the importance of strengthening bilateral cooperation, especially in the political sphere. The joint communiqué that was issued on this occasion adopted this terminology by underlining the importance of "political relations."[38]

The Kremlin had also tried to ensure that Syria engage in more military coordination. The occasion came in November 1978, when General al-Shihabi again led a delegation to Moscow. The Kremlin apparently wanted to exploit what turned out to be a short-lived rapprochement between Syria and Iraq (with whom Moscow had concluded a friendship treaty in 1972) by trying to push its two clients into a relationship of greater military coordination. At a meeting convened on November 23 in the Soviet Ministry of Defense and attended by Soviet Defense Minister Dmitriy Ustinov, Soviet Chief of the General Staff Nikolay Ogarkov, Iraqi Defense Minister Adnan Khayrallah, and General Shihabi, the Soviets proposed "trilateral coordination" of the three countries on political positions and on arms placements. The Soviets cited the "national covenant for joint work" that Syria and Iraq had signed on October 26, 1978 (in response to the Camp David accords), and said they were "convinced" that arms shipments to the two countries should be coordinated along lines adopted for the Warsaw Pact. Finally, the Soviets expressed concern that the placement of additional MiG–27's in Syria would expose the aircraft to surprise Israeli raids, and suggested that they should be based in Iraq instead.[39] This

[31]See Itamar Rabinovich, *The War for Lebanon, 1970–1983*, Ithaca, NY, Cornell University Press, 1984, pp. 54–56.

[32]Pajak, *loc. cit.*, p. 480.

[33]Aurel Braun, "Soviet Naval Policy in the Mediterranean: Yugoslavia and the Sonnenfeldt Doctrine," *Orbis* (Philadelphia), Spring 1978, p. 115.

[34]Quoted in Adeed Dawisha, "The Soviet Union in the Arab World: The Limits to Superpower Influence," in Adeed Dawisha and Karen Dawisha, Eds., *The Soviet Union in the Middle East: Policies and Perspectives*, New York, Holmes and Meier, 1982, p. 18.

[35]The Soviet-Syrian reconciliation was speeded up by the breakdown of attempts at a multilateral Middle East settlement and Anwar al-Sadat's unilateral visit to Jerusalem in November 1977. Partly for these reasons, the Syrian-American rapprochement also petered out. For background see A.I. Dawisha, "Syria and the Sadat Initiative," *World Today* (London), May 1978; and Jonathan Farley, "The Middle East: the View from Washington," in ibid., November 1985, pp. 200-02.

[36]Radio Damascus, Feb. 27, 1978, summarized in *USSR & Third World* (London), Nos. 3-4, Feb. 1–June 30, 1978, p. 43; *Archiv der Gegenwart* (Bonn), Apr. 17–20, 1978, p. 21718; and Roger E. Kanet, "Soviet Military Assistance to the Third World," in Cooper and Papp, op. cit., p. 69, fn.

[37]Rothenberg, loc. cit., p. 7.

[38]TASS, Mar. 26, 1979, in *FBIS-SOV*, Mar. 27, 1979, p. H/11.

[39]The basic outlines of this story are confirmed in *Al-Hawadith* (London), Dec. 8, 1978, trans. in JPRS, *Near East and North Africa* (Washington, DC), JPRS No. 72681, Jan. 23, 1979; and *Le Soir* (Brussels), Nov. 30, 1978, trans. in JPRS, *Near East and North Africa*, JPRS No. 72477, Dec. 19, 1978.

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was completely unacceptable to Syria, and Shihabi left Moscow two days ahead of schedule.

Toward a Friendship Pact

The joint coordination proposed by Moscow might well have been designed as a substitute for a friendship and cooperation treaty with Syria, although it clearly involved more coordination than normally arises within the framework of a friendship treaty. Syrian reluctance to engage in coordination with Iraq—with whom Syria's relations soured further after Saddam Hussein assumed full power in Baghdad in July 1979—did not stop it from drawing closer to the Soviet Union, since both were opposed to the March 1979 Israeli-Egyptian peace treaty. Moreover, President Assad was facing unprecedented domestic opposition as a result of his policies in Lebanon.[40] In January 1979, Syrian Defense Minister General Mustafa Talas was in Moscow to discuss Syria's arms requirements. Western observers reported seeing at least 50 modern T–72 tanks unloaded at Tartus in early August.[41] Moscow agreed to ship more MiG–27's, a squadron of Sukhoi–22 ground attack aircraft, surface-to-surface missiles, long-range Frog missiles, and anti-aircraft jamming equipment. During Assad's visit in October 1979, Moscow wrote off 25 percent of Syria's estimated $2 billion military debt.[42]

With Egypt effectively neutralized, Iraq alienated, and Lebanon disintegrating, Assad was coming to the conclusion that a treaty with the Soviet Union might be useful as an insurance policy against Israel. Thus, Syria had come around to wanting a formal pact. In August 1980, the 75-member Central Committee of Syria's ruling Baath party resolved to make a "qualitative" change in Syria's relations with its "loyal friend," the USSR. Assad went to Moscow on October 8, 1980, and signed there a formal Treaty of Friendship and Cooperation. The treaty's duration is 20 years, with automatic five-year extensions unless one of the signatory parties terminates the agreement. It provides for regular consultations on bilateral and international issues of mutual interest, coordination of responses in the event of a crisis, and military cooperation.[43]

The Soviet-Syrian friendship treaty, although modeled on other Soviet friendship treaties, has several unusual features. On the one hand, it is the only such treaty to omit the adjective "inviolable" in describing Moscow's friendship; on the other hand, it mentions military cooperation twice (Articles 1 and 10). Moreover, it calls for actual cooperation to counter threats to peace (Article 6). Before the conclusion of a new friendship treaty between the USSR and the Yemen Arab Republic in 1984, only the Soviet-Syrian treaty referred to the need to struggle against Zionism. Whether or not a secret protocol to the treaty exists that spells out the terms of military cooperation cannot be established. However, in the September 26, 1980, issue of *Al-Moustaqbal,* an Arab newspaper published in Paris, Syrian Minister of Information Ahmad Iskandar Ahmad said that the friendship treaty would provide for the dispatch of Soviet troops to Syria if needed.[44]

In the wake of the treaty came high-level Soviet-Syrian exchanges and consultations, more weapons deliveries, and even joint military exercises (in 1981). It also stimulated the promotion of ties between the Syrian Baath party and the CPSU.[45] This increased cooperation, however, did not mean that all Soviet-Syrian disagreements were resolved once and for all, especially with regard to Syrian actions in Lebanon.

As Syria became more involved there, it tended to interpret the terms of the friendship treaty rather broadly. In May 1981, for example, the Syrian journal *Al-Baath* asserted that any Israeli attack on Syrian surface-to-air missile batteries in Lebanon would have to reckon with Soviet-Syrian friendship. The Soviet ambassador to Lebanon, Aleksandr Soldatov, promptly distanced his country from the Syrian claim, declaring that developments in Lebanon were "unrelated to the Soviet-Syrian treaty."[46] Yet, the Soviet helicopter carrier *Moskva* was brought close to the coast of Lebanon, and in early July the Soviets and Syrians conducted joint naval maneuvers off the Syrian coast in what was unmistakably a demonstration of a Soviet commitment to Syria's defense.[47]

On June 6, 1982, Israel sent its army into southern Lebanon, ostensibly to eliminate the Palestinian guer-

[40]See Adeed Dawisha, *Syria and the Lebanese Crisis.*

[41]*Archiv der Gegenwart,* Aug. 29, 1979, p. 22845; confirmed in *The New York Times,* Aug. 29, 1979; summarized in *World Affairs Report 9,* No. 4, December 1979, p. 458.

[42]David Lynn Price, "Soviet Moves in the Gulf," *Soviet Analyst,* Nov. 23, 1979, p. 3; MENA (Cairo), Jan. 7, 1979, trans. in JPRS, *Near East and North Africa,* JPRS No. 72681, Jan. 23, 1979; and *Valeurs Actuelles* (Paris), Mar. 5–11, 1979, trans. in JPRS, *Near East and North Africa,* JPRS No. 73080, Mar. 26, 1979.

[43]*Pravda,* Oct. 9, 1980; an English translation of the treaty can be found in *Middle East Review,* Fall/Winter 1981–82, pp. 74–75.

[44]Cited in Karen Dawisha, "The Correlation of Forces and Soviet Policy in the Middle East," Adeed Dawisha and Karen Dawisha, *The Soviet Union in the Middle East,* p. 163.

[45]See, for example, *Pravda,* Jan. 15 and Aug. 16, 1983.

[46]Quoted in Robert O. Freedman, "The Soviet Union, Syria and the Crisis in Lebanon," in David H. Partington, Ed., *The Middle East Annual—1983,* Boston, G.K. Hall, 1984, Vol. 3, p. 115.

[47]*The Christian Science Monitor* (Boston), July 6, 1981.

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rilla presence there. Yet, as early as June 8, *Izvestiya*'s commentator Aleksandr Bovin accurately prophesied that Israel would subsequently seek a separate agreement with Lebanon "along the lines of the Camp David set-up."[48] Soviet verbal criticism of the Israeli invasion was sharp, with the most pointed criticism coming from Soviet Central Asia, where the invasion was termed "a veritable premeditated genocide," and where Israel was accused of "war crimes" in Lebanon.[49] Meanwhile, a Soviet military delegation, led by General Yevgeniy Yurasov, a first deputy commander of the Soviet Air Defense Forces, hurried to Syria for consultations with Syrian military commanders.[50]

Despite the friendship treaty, the Soviets were loathe for several reasons to become involved in what had become, as of June 9, a limited war in Lebanon between Syria and Israel. Given their quite limited coordination with Syria and the suddenness of the Israeli attack, direct Soviet military assistance would have been logistically difficult. Second, in Soviet thinking, Syrian-Israeli skirmishing *in Lebanon* did not threaten Soviet interests. Third, by 1982, the struggle for succession to Brezhnev was under way, and had created a degree of disarray in Soviet policy-making. Hence, the Soviet response was passive.

Soviet inaction fed Syrian frustration, and in this context, the Soviets felt obliged belatedly to make good Syria's weapons losses. Hence, in the following months, Moscow sent to Syria some 800 T–72 tanks, 200 armored personnel carriers, 600 to 800 trucks, 160 fighter aircraft, as well as SAM–5, SAM–6, SAM–9, and SS–21 missile systems.[51]

Struggle for the PLO

The intra-PLO struggle of 1983, in which Syria backed the rebels opposed to Arafat within Al-Fatah, was disconcerting to the Soviets in general, and damaging in particular to the preservation of the useful fiction of the "unity of progressive forces," the maintenance of good relations with both the PLO and Syria,

Syrian Defense Minister Mustafa Talas, right, greets the commander of the Syrian Palestine Liberation Army on the latter's arrival in Sotar, Lebanon from West Beirut in 1982.

—UPI.

and the conservation the Soviet military resources in Syria. The Palestine Liberation Organization is by its very nature vulnerable to external manipulation and pressure since it is a federation of about 10 guerrilla organizations with different loyalties and strategies. Some are Marxist; some are dominated by countries such as Iraq, Libya, or Syria. Yasir Arafat's organization, Al-Fatah, was long preeminent in the PLO by virtue of the fact that it commanded 80 percent of the PLO's total membership.[52] Within such a structure, differences of political opinion inevitably flare up, and the potential for these differences to trigger organizational infighting has always existed. At least a partial reason why the PLO has never been clear-cut about its goals is that there is wide disagreement within the organization over what those goals should be.

When Arafat started to mend fences with King Hus-

[48] *Izvestiya* (Moscow), June 8, 1982, trans. in *FBIS-SOV*, June 10, 1982, p. H/3.

[49] Reported by TASS in English, June 23, 1982, in *FBIS-SOV*, June 24, 1982, p. H/3; and Tashkent International Service in Uzbek, June 19, 1982, summarized in *FBIS-SOV*, June 23, 1982, p. H/4. For a report on protest meetings in various Uzbek cities and towns, see Tashkent International Service in Uzbek, June 27, 1982, trans. in *FBIS-SOV*, June 29, 1982, p. H/3.

[50] QNA in Arabic (Doha), June 15, 1982, trans. in *FBIS-SOV*, June 16, 1982, p. H/1.

[51] *Frankfurter Allgemeine Zeitung*, June 16, 1982; *The Christian Science Monitor*, June 17, 1982, and April 26, 1983; *Los Angeles Times*, June 21, 1982.

[52] *The Christian Science Monitor*, May 18, 1983. On Fatah's dominance in the PLO, see Helena Cobban, *The Palestinian Liberation Organization:People, Power and Politics*, Cambridge, Cambridge University Press, 1984.

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sein of Jordan in late 1982 and began to entertain the prospect of achieving a "Palestinian homeland" linked with Jordan—a plan favored by the Reagan administration—radicals within the PLO became discontented. After a meeting in Libya in January 1983, five PLO factions came out against the Reagan initiative as well as an Arab peace plan proposed in Fez, Morocco, in September 1982. They denounced both plans as "capitulationist schemes," and stressed that "armed struggle is the only way to liberate Palestine."[53] In February 1983, the Palestine National Council met in its 16th session, this time in Algiers. The leader of one pro-Syrian faction, Ahmad Jabril, denounced Arafat for being too ready to compromise. The deputy chairman of Al-Fatah, Salah Khalaf (Abu Iyad), in turn exclaimed: "When Ahmad Jabril was speaking, my body trembled."[54] Georges Habash, leader of the Popular Front for the Liberation of Palestine, claimed that it was pointless to discuss the possibility of confederation with Jordan,[55] but the PNC's final resolution kept this option open.[56] Also, while the Reagan plan was rejected in the resolution, the Jordanian newspaper *Al Ra'i* suggested that the PNC remained open to the initiative.[57] Thus the differences between the factions were only superficially covered over. Despite occasional reversals, Arafat basically continued to think in terms of a diplomatic path to a West Bank–Gaza Strip state, while radicals within the PLO continued to think in terms of armed struggle to wipe Israel off the map.

The Soviet press at first avoided coverage of differences within Al-Fatah or between it and Syria.[58] The first hint of problems came in February, but *Pravda*'s oblique reference to attempts by "the Palestinian people's enemies . . . to use the imperialists' old 'divide and conquer' principle to undermine the Palestinians' own struggle" seemed to suggest that the problems were created solely by the United States and Israel.[59] Meanwhile, Soviet General Secretary Yuriy Andropov privately urged Arafat to mend his relations with Assad.[60] The Soviet leadership preferred to take a passive attitude toward the discord and hoped it would just fade away of its own accord.

In May 1983, however, the Soviet leadership had to assume a more active posture when pro-Syrian elements within Al-Fatah, which came to be called the "intifada" and which were led by Abu Nimr Saleh and Abu Musa, openly revolted against Arafat. Since Saleh has the reputation of being the leading pro-Soviet leftist within Al-Fatah,[61] this only further complicated the Kremlin's position vis-à-vis Arafat. The catalyst for the rebellion was ostensibly provided by disputes over certain Arafat command appointments and by the existence of corruption within the PLO. The real issues underlying the revolt, however, were whether the PLO should pursue Arafat's diplomatic strategy or revert to an armed strategy, and whether the PLO could remain an independent political actor or become entirely dominated by Syria.

Some scholars have argued that Syria engineered the revolt against Arafat[62]—a revolt that was viewed with grave misgivings in Moscow. Whatever the case, Syria was quick to support the rebels and sent tanks and other equipment to Abu Musa.[63] Libya also endorsed the rebels. The Syrian-controlled organization al-Sa'iqa joined the rebels. In addition, Damascus put heavy pressure on Nayif Hawatmeh's Democratic Front for the Liberation of Palestine and Georges Habash's Popular Front for the Liberation of Palestine to support the rebels.[64]

As late as June 15, TASS issued a statement quoting Arafat to the effect that "the differences on separate questions in the Al-Fatah organization had been overcome."[65] However, with Abu Musa's revolt showing tenacity, a shift in the Soviet Union's handling of the issue took place. On June 26, *Pravda* published a reasonably candid account of Abu Musa's rebellion, appending a short report noting that Arafat had been thrown out of Syria because his continued presence was considered "undesirable."[66] Yet, a Moscow television broadcast the same evening affirmed the Kremlin's sympathy for Arafat.[67]

The Soviet approach of admitting to the existence of

[53]Quoted in *The Wall Street Journal* (New York), Feb. 9, 1983.

[54]Voice of Palestine (Algiers), Feb. 20, 1983, trans. in Foreign Broadcast Information Service, *Daily Report: Middle East and Africa* (Washington, DC—*hereafter FBIS-MEA*), Feb. 23, 1983, p. A/10.

[55]Radio Monte Carlo in Arabic, Feb. 17, 1983, trans. in *FBIS-MEA*, Feb. 18, 1983, p. A/3.

[56]*FBIS-MEA*, Feb. 23, 1983, p. A/16.

[57]Ibid.

[58]See, for example, the bland reports in *Izvestiya*, Jan. 15, 1983, trans. in *FBIS-SOV*, Feb. 3, 1983, p. H/7; and in *Pravda*, Jan. 20, 1983, trans. in *FBIS-SOV*, Feb. 1 1983, p. H/6.

[59]*Pravda*, Feb. 20, 1983, trans. in *FBIS-SOV*, Feb. 25, 1983, p. H/6.

[60]Radio Monte Carlo in Arabic, Jan. 21, 1983, trans. in *FBIS-SOV*, Jan. 24, 1983, p. H/2.

[61]*The Christian Science Monitor*, June 9, 1983; and *The Seattle Times*, Nov. 10, 1983.

[62]Adeed Dawisha, "The Motives of Syria's Involvement in Lebanon," *Middle East Journal* (Washington, DC), Spring 1984, p. 235, and Robert O. Freedman, "Moscow, Damascus, and the Lebanese Crisis of 1982–1984," in Paul Marantz and Blema S. Steinberg, Eds., *Superpower Involvement in the Middle East*, Boulder, CO, Westview, 1985.

[63]At least so Arafat charged in June 1983. See *The Los Angeles Times*, June 23, 1983.

[64]*The Seattle Times*, Nov. 10, 1983.

[65]TASS, June 15, 1983, trans. in *FBIS-SOV*, June 15, 1983, p. H/1.

[66]*Pravda*, June 26, 1983, trans. in *FBIS-SOV*, June 27, 1983, pp. H/2–3.

[67]Moscow Television, June 26, 1983, trans. in *FBIS-SOV*, June 27, 1983, p. H/3.

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conflict in the PLO and trying to maintain good relations with both Arafat and Assad while working for their reconciliation, was reflected in *Pravda*, *Izvestiya*, and TASS dispatches. By contrast, the newspapers *Krasnaya Zvezda* (organ of the Soviet armed forces) and *Sovetskaya Rossiya* gave divergent coverage, with *Sovetskaya Rossiya* presenting the 16th PNC session as though it had demonstrated PLO cohesion rather than the opposite.[68]

As Malcolm Mackintosh observed several years ago, the Soviet military tends to be conservative in the sense that it eschews policies it considers "risky" and regularly argues for "a full evaluation of all the risks involved" in policy choices.[69] It is probably also conservative in that it places more stress on relations with established governments than on relations with guerrilla movements. *Krasnaya Zvezda*'s reportage seems to confirm these general observations. First, compared to other Soviet newspapers, this newspaper devoted more space to Syria than to the PLO. Second, its reportage seemed to reflect concern about maintaining the Syrian connection.[70] Although it mentioned the search for new tactics on the part of the PLO, *Krasnaya Zvezda* underlined that the PLO continued to aim at a fully independent state,[71] that is, it presented the position of the anti-Arafat forces and of Syria.

Coverage by *Sovetskaya Rossiya* differed from both the *Pravda-Izvestiya*-TASS and the *Krasnaya Zvezda* coverage in its heavier emphasis on the PLO. Between 1983 and 1984, *Sovetskaya Rossiya* ran several interviews with the PLO representative in Moscow.[72] There was no comparable series of articles featuring Syrian spokesmen. Moreover, two months after most of the Soviet media openly began to report on the discord within Al-Fatah, *Sovetskaya Rossiya* published an article adhering to the pre-June line. As noted, it presented the 16th Session of the Palestine National Council, which had taken place in February 1983, as having laid to rest notions of a split within the PLO, and it spoke of the Palestinians' "complete rejection of the so-called Reagan initiative."[73] This was a month after the rather surprising admission by commentator Igor Belyayev in *Literaturnaya Gazeta* that some elements in the PLO had favored the Reagan plan.[74] The *Literaturnaya Gazeta* article also acknowledged that Al-Fatah was "going through an almost irreversible political crisis unprecedented in its history," and did not blame the discord on either Western "lies" or Western manipulation.[75] TASS also conceded that Al-Fatah's differences sprang from within its own ranks. By contrast, *Izvestiya* struck a more confrontational note in arguing:

Israel and its transatlantic patrons also need to undermine pan-Arab unity in order to isolate the PLO politically, to demolish that organization by exploiting the differences which have been exacerbated in its ranks, and then to eliminate the Palestinian problem altogether.[76]

Yasir Arafat, center, confers with Abu Jahid, left, outside Palestine Liberation Organization offices in Tripoli in November 1983 shortly after PLO expulsion from two Palestinian refugee camps and just prior to expulsion from Lebanon altogether by Syrian-backed rebels within the movement.

—Eli Reed/Magnum.

[68] *Sovetskaya Rossiya*, Aug. 16, 1983, trans. in *FBIS-SOV*, Aug. 19, 1983, pp. H/1–2.

[69] Malcolm Mackintosh, "The Soviet Military: Influence on Foreign Policy," *Problems of Communism*, September-October 1973, pp. 6 and 10.

[70] *Krasnaya Zvezda*, Aug. 23, 1983, trans. in *FBIS-SOV*, Aug. 25, 1983, p. H/4.

[71] *Krasnaya Zvezda*, Mar. 22,1983, trans. in *FBIS-SOV*, Mar. 24, 1983, pp. H/7–8. Contrast this with Karen Brutents's comment in February. "Those talks (between Jordan and the PLO) are the affair of Jordan and the PLO first and foremost, and it is up to them to decide. Our policy is one of noninterference in the internal affairs of other countries and peoples." Quoted in *Monday Morning* (Beirut), Feb. 7–13, 1983, trans. in *FBIS-SOV*, Feb. 17, 1983, p. H/6.

[72] See, for instance, *Sovetskaya Rossiya*, Dec. 31, 1983, trans. in *FBIS-SOV*, Jan. 5, 1984, pp. H/4–6.

[73] *Sovetskaya Rossiya*, Aug. 16, 1983, trans. in *FBIS-SOV*, Aug. 19, 1983.

[74] *Literaturnaya Gazeta* (Mosocw), July 6, 1983, trans. in *FBIS-SOV*, July 6, 1983, pp. H/2–3.

[75] Ibid., pp. H/1–2.

[76] *Izvestiya*, July 1, 1983, trans. in *FBIS-SOV*, July 6, 1983, p. H/5.

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On the diplomatic level, the Soviet Union tried to avoid the appearance of preferring one party over the other. The Soviet ambassador in Damascus let senior Syrian officials know that Moscow was displeased with the infighting in the PLO.[77] In a message to President Assad, Andropov wrote:

Safeguarding the unity of the PLO is a basic and inalienable policy of the Soviet Union. A continuation of fighting threatens both Syrian interests and the accomplishments of the Palestinian people.[78]

Abu Iyad, Arafat's second-in-command, traveled to Moscow in the first week of June, and was assured of Soviet support for Arafat's leadership of the PLO.

Since Arafat's position regarding a future Palestinian state limited to the West Bank and the Gaza Strip is basically closer to the Soviet view than the position of the more radical rebels, and since the Soviets do not wish the PLO to be entirely dominated by Syria, they tried hard to heal the rifts between Arafat and Assad and within Al-Fatah by sending a high-level delegation to Damascus in August 1983. The delegation had discussions with Abu Musa and his aides in the presence of Arafat's representative, Diyab al-Atrash.[79] When Syrian Foreign Minister Khaddam went to Moscow in November 1983, Gromyko told him it was "extremely important and urgent" that Syria do its part to bring an end to the fighting and patch up its feud with Arafat.[80] Instead, Syrian-supported insurgents drove Arafat's forces out of two Palestinian camps shortly thereafter.

As Soviet mediation efforts had little effect, a message to President Assad from the Central Committee of the CPSU and the Presidium of the USSR Supreme Soviet in April 1984 seemed to indicate the Kremlin's gradual acquiescence in Syrian actions. In this message, Syrian "anti-imperialism" was praised, US advocacy of "separate deals" was condemned, and Syria was promised Soviet support for continued efforts to pursue "progressive social and economic development."[81] There have been reports that General Secretary Andropov himself had been Syria's advocate. Convinced of Syria's strategic importance, Andropov is said to have given Assad firm assurance of Soviet military support.[82] He also wanted to be certain "that Soviet arms could be rushed to Syria in time," in the event of a Syrian-Israeli war.[83]

But after Andropov's death and his replacement by Konstantin Chernenko in February 1984, a less forthcoming attitude toward Syria seemed to develop in the Kremlin. Despite the shipment of SS–21 missiles to Syria in early 1984,[84] when Assad's brother, Rif'at, visited Moscow in May 1984, his host, candidate Politburo member Vasiliy Kuznetsov, stressed at a formal gathering that "the Arabs possess all necessary means for foiling the schemes of US imperialism and its Israeli partners,"[85] thereby implying that more Soviet aid was unnecessary.

Syria seemed dissatisfied with this attitude. When President Assad visited Moscow in October 1984, he again raised the question of further Soviet military assistance. The joint communiqué noted vaguely that "in the course of the talks, questions of the Soviet Union's granting further assistance to Syria in strengthening its defense capability were discussed, and corresponding decisions adopted."[86] Later, there were reports that Assad was trying to obtain an agreement on "strategic cooperation" with the USSR.[87] It was probably with this in mind that he supported Chernenko's proposal on a Middle East settlement, at least declaratively, despite its inclusion of a guarantee of Israel's independence.[88] Assad also conceded "the need to preserve the unity of the Palestinian Resistance Movement,"[89] which he had done so much to undermine.

Limits of Influence

In March 1985, Chernenko died, and the new Soviet general secretary, Mikhail Gorbachëv, began to organize a new policy-making team. He transformed the composition of the Politburo, replaced secretaries dealing with foreign affairs on the Central Committee's Secretariat, selected Eduard Shevardnadze as foreign minister and changed many senior officials in the foreign ministry, and appointed more than 30 new

[77]Voice of Lebanon (Beirut), May 31, 1983, trans. in *FBIS-MEA*, June 1, 1983.

[78]Quoted in *The Christian Science Monitor*, Nov. 17, 1983.

[79]Voice of Lebanon (Beirut), Aug. 7, 1983, trans. in *FBIS-SOV*, Aug. 8, 1983, p. H/2.

[80]TASS in English, Nov. 11, 1983, in *FBIS-SOV*, Nov. 15, 1983, p. H/2. See also *The New York Times*, Nov. 12, 1983.

[81]*Pravda*, Apr. 17, 1984, trans. in *FBIS-SOV*, May 21, 1984, p. H/1.

[82]AFP (Paris), May 19, 1984, trans. in *FBIS-SOV*, May 25, 1984, p. H/5. On Andropov's relationship with Assad, see Vladimir Solovyov and Elena Klepikova, *Behind the High Kremlin Walls*, New York, Dodd, Mead, and Co., 1986.

[83]Ibid.

[84]Wolf Blitzer, *Between Washington and Jerusalem: A Reporter's Notebook*, New York, Oxford University Press, 1985, p. 68.

[85]SANA (Damascus), May 29, 1984, trans. in *FBIS-SOV*, May 30, 1984, p. H/2.

[86]*Pravda*, Oct. 19, 1984, trans. in *FBIS-SOV*, Oct. 19, 1984, p. H/2.

[87]*Politika* (Belgrade), Feb. 4, 1985.

[88]Irit Abramski-Bligh, "Soviet-Syrian Relations (1982–1985)," *The Jerusalem Quarterly*, No. 37, 1986, p. 49.

[89]*Pravda*, Oct. 19, 1984.

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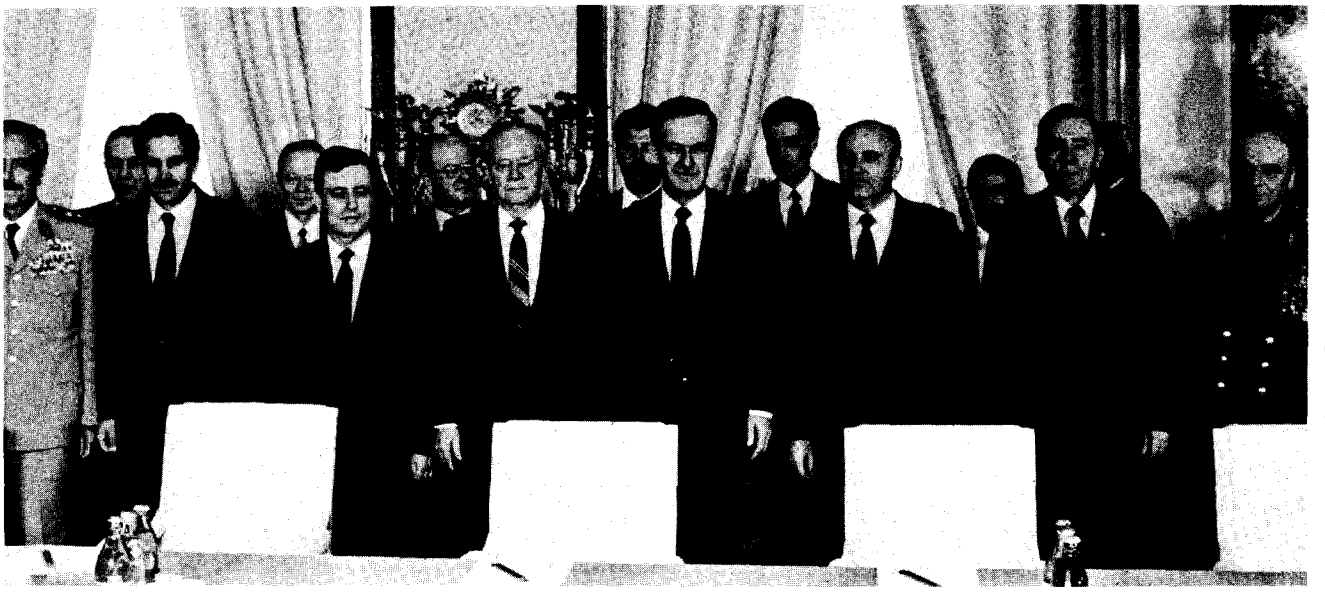

Hafiz al-Assad, center, with Soviet General Secretary Mikhail Gorbachëv, right, and Soviet President Nikolay Tikhonov, left, during a June 19, 1985, visit to the USSR.

—TASS from Sovfoto.

ambassadors around the world.[90]

The emergent Gorbachëv leadership also made some reassessments of Soviet foreign policies. With regard to the Third World, Gorbachëv's address to the 27th CPSU Congress in February 1986 differed markedly from that of his predecessors in paying so little attention to Soviet clients there. It also did not extol "countries of socialist orientation"—a once-favored category."[91]

With respect to Syria, the Gorbachëv leadership appeared frustrated with Damascus's continued support of Iran in the Iran-Iraq war, and Moscow's inability to bring about improved relations between Syria and Iraq.[92] The Kremlin allegedly was also disturbed at Syria's close linkage with Shiite groups in Lebanon,[93] and disappointed that Soviet efforts to mediate the Syrian-PLO dispute had failed.

In the spring of 1985, the Gorbachëv leadership renewed pressure on Syria to negotiate with Arafat's Al-Fatah. Assad's brief visit to Moscow on May 28, 1985, did not yield any tangible results in this area. Shortly thereafter the Soviets withdrew a number of their SAM–5 technicians and turned the missiles over to Syrian control.[94] While there are different explanations as to who ordered the withdrawal and why, the fact that several thousand Soviet personnel left suggests at least some strains. On June 9, 1985, a TASS release reprimanded Arab governments who "turned their backs on the Palestinians and upon the other forces threatened by Israeli expansionism." A meeting between Assad and Gorbachëv later the same month failed to reconcile their respective approaches to the PLO.[95] The Soviets tried again to mediate Syrian-PLO differences in early 1986.[96] But the most that the Kremlin can claim for its efforts is that it has remained on good terms with both sides, a not inconsequential achievement. Nevertheless, by May 1986, Syrian Vice President Khaddam was describing Soviet-Syrian relations as "superb."[97]

During the summer of 1986, the Kremlin maintained contact with Hawatmeh and Habash, urging them to refrain from actions injurious to PLO unity, and in August dispatched Yuliy Vorontsov, first deputy minister of foreign affairs, for separate consultations with Assad and Arafat. Vorontsov conveyed Moscow's message that the Syrian leadership should patch

[90] *The New York Times*, May 24, 1986.

[91] Francis Fukuyama, "Gorbachëv and the Third World," *Foreign Affairs* (New York), Spring 1986, pp. 715–16.

[92] For example, this appears to have been a major purpose of Geydar Aliyev's visit to the Near East. See Robert O. Freedman, "Moscow, Damascus, and the Lebanese Crisis," loc. cit., p. 119.

[93] *Arabia* (London), August 1985, p. 34.

[94] *Africasia* (Paris), July 1985, p. 17; and Pipes, "Syria: The Cuba of the Middle East," loc. cit., p. 16.

[95] See TASS in English, June 19, 1985, in *FBIS-SOV*, June 20, 1985, pp. H/1–2.

[96] *Il Messaggero* (Rome), Jan. 22, 1986.

[97] Moscow Television, May 17, 1986, trans. in *FBIS-SOV*, May 19, 1986, p. H/2.

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things up with Arafat.[98] But only two weeks prior, Assad had received Abu Musa and underlined Syrian support for the "intifada" and Syrian readiness to provide Musa with "all necessary assistance."[99]

Moscow has a multifaceted presence in Syria—and institutionalized channels of communication. Yet, despite the abundance of aid that the Soviet bloc has provided to Syria in many areas, the Soviets have not been able to change Assad's mind about a single foreign policy question of central interest to him. In short, Soviet "influence" in Syria seems to consist chiefly of Soviet ability to provide Syria with the means necessary to carry out operations that may or may not promote the Soviet Union's interests. Indeed, as Alvin Z. Rubinstein once remarked, "What seems to be influence often turns out instead to be the joint interests of the two parties."[100] As a by-product of bilateral relations, influence in fact tends to be issue-specific or situation-specific, short-lived, and without clear limits on its costs.

Soviet influence was insufficient to dissuade Syria from intervening in Lebanon in 1976, to prevent Syrian-Palestinian feuding in 1983 and 1984, or to persuade Damascus in the spring of 1984 to improve its relations with Baghdad and reopen the pipeline that pumps Iraqi oil to the Mediterranean.[101] The Soviets also could not prevent Syrian authorities from confiscating Soviet weaponry sent to the PLO through Syria in 1983.[102]

The terms of the Soviet-Syrian relationship are typical of such patron-client relationships. The Soviets provide Syria with assistance necessary for it to be effective in regional policy, and in exchange the Soviets obtain a presence in Syria as well as Syrian support for Soviet actions in areas outside Syria's core interest, such as the Soviet invasion of Afghanistan.[103] As a superpower with global concerns, the Soviet Union is interested in having stable regional alliances. But the price of such "stability" is high.

[98] *Al-Ittihad* (Abu Dhabi), Aug. 26, 1986, trans. in *FBIS-MEA*, Aug. 28, 1986, p. H/1.

[99] Damascus Domestic Service, Aug. 9, 1986, trans. in *FBIS-MEA*, Aug. 11, 1986, p. H/2.

[100] Alvin Z. Rubinstein, *Red Star on the Nile*, Princeton, Princeton University Press, 1977, p. xv.

[101] As Aliyev tried to persuade the Syrians during his March 1984 visit to Damascus. See *The Washington Post*, May 18, 1984.

[102] So Arafat charged in an interview with the Kuwait newspaper, *Al-Anbaa*. It is unlikely that he stood to gain anything from concocting such a complaint. See KUNA (Kuwait), Nov. 29, 1983, trans. in *FBIS-SOV*, Nov. 29, 1983, p. H/1.

[103] Hence, when the Soviet army moved into Afghanistan in force in late December 1979, Syrian Foreign Minister Khaddam commented: "The question of the defense of Islam is being decided not in Afghanistan but in Palestine, Jerusalem and Lebanon, where they are destroying Muslims with U.S. arms and U.S. aircraft." See *Der Spiegel* (Hamburg), Apr. 28, 1980, p. 163. Accordingly, when the United Nations considered a resolution to condemn the Soviet intervention in Afghanistan, Syria abstained from the vote.

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Books

Sources of Soviet Foreign Conduct

William Taubman

EDWARD N. LUTTWAK. *The Grand Strategy of the Soviet Union*. New York, St. Martin's Press, 1983.

RICHARD PIPES. *Survival Is Not Enough: Soviet Realities and America's Future*. New York, Simon and Schuster, 1984.

ZBIGNIEW BRZEZINSKI. *Game Plan: How to Conduct the U.S.-Soviet Contest*. Boston, MA, Atlantic Monthly Press, 1986.

SEWERYN BIALER. *The Soviet Paradox: External Expansion, Internal Decline*. New York, Knopf, 1986.

LEON SLOSS and M. SCOTT DAVIS, Eds. *A Game For High Stakes: Lessons Learned in Negotiating with the Soviet Union*. Cambridge, MA, Ballinger, 1986.

THE IRONIC COMBINATION of external expansion and internal decline has been the most striking feature of Soviet politics in recent years. Seweryn Bialer calls this situation "the Soviet paradox." These two trends have produced an unusual degree of agreement among usually differing US observers of the Soviet Union. All but the most complacent of them admit that in the 1970's the USSR had achieved a massive military buildup and had also made vigorous expansionist efforts, especially in the Third World. At the same time, even those most alarmed by Soviet expansionism concede that the Soviet system has suffered a series of debilitating economic, social, and political setbacks at home. But if the five books under review here (written by some of the leading American Sovietologists) are any indication, there is still plenty of disagreement about the meaning of the two trends, and especially about the connection between them. Why, how, and with what success has the Soviet Union been expanding? How serious are its domestic problems? Are internal troubles likely to constrain external expansion or provoke it? Might Soviet domestic troubles be turned to the West's advantage?

Edward Luttwak, Richard Pipes, and Zbigniew Brzezinski are alarmed about Moscow's expansionism and call for Western resistance that goes not only beyond the late and (by them) unlamented détente but beyond containment as well. Brzezinski probably speaks for all three when he urges that the United States seek to "prevail historically" over the Soviet Union (p. 239). Seweryn Bialer, on the other hand, is more willing to meet Moscow halfway in arms control and other negotiations, and more resigned to an endless process of "competitive coexistence" (p. 369). The fifth book, *A Game for High Stakes*, is a collection of short essays by Americans who have negotiated with the Soviets on issues ranging from arms control to trade. Although these essayists take no overall position on the meaning of the Soviet paradox, their experiences do bear on the debate.

Luttwak, Pipes, and Brzezinski find different roots of the current danger from the Soviet Union and offer different prescriptions for how to cope with it. Bialer is less pessimistic about that danger, but also less optimistic than they about finding any enduring solution, because he believes that "winning" is as unlikely as a settlement of US differ-

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ences with Moscow. This contrast is especially ironic because Pipes and Brzezinski revel in an unblinking realism that rejects as utopian any hope for an early end to the East-West conflict. Brzezinski insists on "the historical depth of the American-Soviet antagonism, the degree of conflict between the geopolitical interests of the two powers, and the intensity of regional turbulence that by itself generates conflicting superpower responses" (p. 246). The central proposition of his book, Brzezinski writes, is that "the American-Soviet contest is not some temporary aberration but an historical rivalry that will long endure" (p. xiii). Pipes would not disagree. And yet, each recommends in the end a plan for "prevailing" over the Soviet Union that seems highly unrealistic to this reviewer, who tends to share Bialer's perspective. At the same time, although certain key conclusions of Luttwak, Pipes, and Brzezinski strike me as questionable, many of their arguments are all too convincing.

LET US BEGIN a more detailed consideration of the Soviet paradox with a closer look at its expansionist aspect. All four authors agree that Russia always was, and the Soviet Union still is, an expansionist power. Thus, they stress the indigenous roots of recent Soviet expansionism. Luttwak and Pipes are particularly keen to trace the Russian roots of Soviet imperialism. In previous works, Pipes has stressed the resemblance between Tsarist and Soviet police-states, thus bringing down on himself the wrath of Russophiles like Aleksandr Solzhenitsyn.[1] *Survival Is Not Enough* further debunks Russia's allegedly golden age, pointing out, for example, that "between the middle of the sixteenth century and the end of the seventeenth, [Russia] acquired every year the territorial equivalent of modern Holland for 150 years running" (p. 37). Besides insisting on the Tsarist-Soviet continuity, Pipes helpfully suggests how it came to be: "The violence of 1917–1920 resulted in the wholesale destruction of the upper and middle classes, which happened to have been the principal Westernized groups in Russia . . . it permitted the unregenerate Muscovite Russia, which had survived intact underneath the veneer of European influences, to float to the surface" (p. 23).

Along with traditional Russian factors, Marxist-Leninist ideology was usually seen in the West as a key determinant of Soviet foreign policy. Yet, increasingly in recent years, that ideology has been perceived as eroding in the USSR. A sign of that perception is that none of the four authors emphasizes the ideological roots of Soviet expansionism. Indeed, Pipes claims that "the Soviet official is a cynic who ascribes to human beings only the basest of motives. He views people as driven exclusively by self-interest. Any other motive he dismisses as humbug" (p. 45). Bialer is more willing to credit Marxism-Leninism (not so much its fine points of doctrine, as its broad analytical categories) with motivating Soviet leaders, because "if they were simply cynics they could be bought off by their wealthier adversaries" (p. 349).

A third "internal" source of Soviet expansionism is seen in the nature of the Soviet system itself. Drawing on the writings of Michael Voslensky,[2] a former Soviet official now living in emigration, Pipes zeroes in on the link between repression and expansion. Expansion, he argues, legitimizes the regime in general and its political leaders in particular. The absence of democratic participation both requires Soviet leaders to seek such legitimation and allows them to do so free from domestic contraints. The converse of these two propositions—that a more open and pluralistic society would have less need to expand and less ability to do so—is the key to Pipes's recommendation that the West encourage reform in the Soviet system as a way of altering Soviet international behavior.

Soviet fear of threats from the West—a favorite explanation of more dovish Western analysts—is conspicuously missing from the sources of Soviet aggressiveness noted by Luttwak, Pipes, and Brzezinski. At an abstract level, all three authors recognize this phenomenon. All would agree, I think, with Hudson Institute analyst Max Singer, whom Brzezinski quotes as calling the Soviets "insatiably defensive," that is, so wedded to the notion that the best defense is a good offense that, as Brzezinski puts it, "the defensive and offensive elements of the strategy are thus inseparable" (p. 65). But when it comes to concrete East-West interactions, Luttwak, Pipes, and Brzezinski have trouble pinpointing any US action that might have given Moscow legitimate cause for alarm. Pipes goes farthest, insisting not only that "the contingency plans of NATO have always been defensive," but also that "whatever they say in public . . . the Soviets are well aware of these facts" (p. 225). Luttwak contends not just that the Soviets are now clearly and unambiguously the world's number one military power, but that they see themselves as superior to the Americans (p. 55). Brzezinski's depiction of the nuclear balance as "a situation of ambiguous strategic equivalence" is more balanced and judicious. But only Bialer can really imagine how Mos-

[1]See Aleksandr Solzhenitsyn, *The Mortal Danger: How Misconceptions about Russia Imperil America*, New York, Harper and Row, 1980.

[2]Michael Voslensky, *Nomenklatura: The Soviet Ruling Class*, New York, Doubleday, 1984.

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cow can still consider itself the world's second military power, partly because in many ways it still is "number two." It also falls to Bialer to issue the warning that "it is wrong to . . . demonize the Soviet leaders, denying any validity to their fear of war, their legitimate security concerns, and their recognition of the imperative need to create some sort of *modus vivendi* with the other nuclear powers" (p. 352–53).

IF THE ABOVE are among the motives for Soviet external expansion, what are Moscow's long-term goals and shorter-term strategy and tactics? Regarding aims, Pipes writes: "As concerns the objective, no one familiar with Communist theory can entertain much doubt. It is the elimination, worldwide, of private ownership of the means of production and the 'bourgeois' order which rests upon it, and its replacement with what Lenin called a worldwide republic of soviets" (p. 49). Pipes accuses those who dismiss these terms as mere rhetoric of misconceiving the kind of world domination the Soviets seek. Not physical control of the world, but global hegemony is Moscow's goal, he insists, adding that the goal is all too likely to be achieved. "In a world from which the United States has been eliminated as a power of the first rank, the Soviet Union would enjoy such overwhelming economic and military preponderance that opposition to its wishes on the part of any other 'socialist republic'—which is all that would remain—would be inconceivable" (p. 50).

But is not such a Soviet-dominated globe itself inconceivable? How could a country with so many domestic problems lord it over the whole world? Brzezinski's geopolitical analysis warns how the worst could happen. According to him, the United States and the Soviet Union are engaged in a duel over Eurasia, even though the United States does not always seem to be aware of this. For its part, Moscow is intent on evicting Washington from its positions on the eastern, western and southern fringes of that immense territory. In Brzezinski's geostrategic universe, if the Soviet Union captured "the peripheries of this landmass . . . it would not only win control of the vast human, economic, and military resources, but also gain access to the geostrategic approaches to the Western Hemisphere—the Atlantic and Pacific oceans." From this it follows that "the United States must view its transoceanic positions as the forward lines of defense that spare it from having to mount a defense of North America" (p. 23). By the end of the century, if things go badly in Central America, "it is quite possible," according to Brzezinski, "that a fourth central strategic front may be opening up on the Rio Grande" (p. 98). To avoid being kept on the "geopolitical defensive," Washington must succeed in projects such as "protectively sealing off the Persian Gulf and the Middle East from a contiguous Soviet military-political presence" (p. 53).

Brzezinski's book is replete with terms like "earth control," "political and military breakout," and "linchpin states," and with maps illustrating such concepts. But even such a formidable theoretical apparatus may leave the reader unconvinced. For example, what exactly would it mean for the USSR to achieve "domination" over fiercely anti-Soviet Iran? How likely is such an eventuality, even if the United States does not adopt the countervailing strategy that Brzezinski recommends?

Bialer is more skeptical about Soviet plans for world domination. He writes that although the Soviet elites expect an ultimate victory of communism, "the goal of worldwide communization has not been the operating principle of Soviet foreign policy" even in Stalin's time, and that Soviet "formulation of short- and middle-range foreign policy is not so different from that of any nation-state" (p. 348), including, presumably, the United States itself.

TURNING from goals to strategy and tactics, Luttwak, Brzezinski, and Pipes agree that Moscow pursues a "grand strategy" combining military intimidation, the sowing of political divisions in the West, and vigorous attempts to subvert and destabilize the Third World. Bialer sees the Soviets more as opportunists than grand strategists, but he too emphasizes the crucial importance to them of their long-sought, hard-earned, military power. All four authors contend convincingly that although the United States was first with the atomic bomb, and has led the way in many strategic technologies, nuclear weapons have taken on a special value for the Soviet Union. Bialer puts it as follows: "Nuclear weaponry acts as a great equalizer of the actual, conventional military potential of the Western and Soviet alliances and therefore as a guarantor of the security of the Soviet Union" (p. 272). Pipes points out how the old Soviet technique of mixing war scares with peace campaigns has been raised to new heights in the nuclear era, and how, free from democratic political constraints, Moscow is able to play on the nuclear nerves of the Western democracies.

In contrast to its growing military power, the economic and ideological appeal of the USSR has diminished in recent years. Whereas in the 1950's, Nikita Khrushchev counted on the example of Soviet-style socialism to win converts around the world, his successors have turned to more Machiavellian means. According to Brzezinski, who was President Jimmy Carter's

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National Security Adviser, and to Pipes, who served as Soviet specialist on President Ronald Reagan's National Security Council Staff, the Soviets have encouraged terrorism as a means of destabilizing both Western Europe and the Third World. The evidence cited, including Soviet training camps for terrorists, is disquieting. But one can ask whether it is adequate to justify Brzezinski's conclusion—after listing groups as diverse as the Italian Red Brigades, the West German Red Army Faction, the Basque separatists, the Irish Republican Army Provisionals, and others—that "the Soviet objective in all this is the attrition of the global order. It is essentially a long-term diversionary strategy designed to promote erosion on the flanks, while Soviet military-political pressure is applied on the central front" (p. 140).

THE OTHER SIDE of the Soviet paradox is the economic, social, and political deterioration that deepened in the later Brezhnev years and now has become the target of Mikhail Gorbachëv's reform efforts. The broad outlines of the problem are widely known in the West; equally widespread is the Western view that its root cause is the Soviet system itself. There is, therefore, no disagreement among the four authors on what has gone wrong, and why, in the USSR. Instead, they in effect divide the labor of summarizing the symptoms and, more important, of estimating the foreign policy implications. Luttwak and Brzezinski stress socioeconomic stagnation. Pipes focuses on political disarray as well, particularly on the widespread corruption that has been draining the system of morale as well as money. Bialer's approach is more historical and wide-ranging. He traces both the deepening decline and the efforts and non-efforts to do something about it. Particularly incisive is his chapter on the politics of reform—including the powerful resistance to change observable at middle and lower levels of the Soviet party/state machine.

The rising costs of the Soviet empire is yet another point on which the four authors are in general agreement. Pipes cites Rand Corporation estimates that the annual cost to the Soviet Union of controlling its "colonies and dependencies" has grown from about US$18 billion in 1971 to $41 billion in 1980 (p. 187). Bialer spotlights seemingly unresolvable Soviet problems in Eastern Europe, especially in post-Solidarity Poland. For Luttwak, the clash between Russian and non-Russian nationalism within the USSR itself is the most threatening development facing the Soviet leaders. Brzezinski, who is refreshingly candid in viewing the United States, too, as an imperial power, offers some typically brilliant insights on the different characteristics of the two imperial domains.

WHERE THE AUTHORS part company again is in gauging the linkage between Soviet internal decline and external expansion. On this issue, Luttwak's assessment is the most somber: rather than constraining Soviet expansion, Moscow's domestic problems may encourage it. In Luttwak's scenario, which he presents as a theoretical possibility rather than a geopolitical likelihood, Soviet pessimism about long-term domestic improvement combines with a temporary military superiority to tempt Moscow to use force. "It is not a question," Luttwak writes, "of using uncommitted divisions (and all that goes with them) to expand the empire further, but rather of employing a transient military advantage before it is too late, to gain a permanent enhancement in the security of the empire" (p. 82).

Most analysts of the Soviet Union, including the other authors under review, think it unlikely that the Russians would risk war when other less dangerous tactics promise favorable results. Furthermore, Luttwak's search for a spot in the world where the benefits of aggression would exceed its costs and dangers strains credibility. It leads him in the end to western China, to the notion of a limited Soviet attack designed to lop off sparsely populated sections of the Chinese provinces of Xinjiang and Qinghai. Nonetheless, if one sets aside Luttwak's specific scenario and focuses instead on his Schumpeterian conception of how empires grow, his conclusions are cause for concern. For the point is not, he insists, whether a particular act of aggression really makes sense, that is, whether it addresses some pressing external or internal need. The point, as Joseph Schumpeter pointed out in his classic study of imperialism,[3] is that once a military machine whose job it is to make war is established, it is only a matter of time until a war gets made. As Luttwak puts it: "But in truth all motives and all justifications are of small import: once the internal condition of society is in a state of disequilibrium, once its leaders acquire the physical capacity for conquest, once military institutions are created which have no sufficient role in self-defence strictly defined, all manner of reasons and all sorts of rationalizations will emerge to make expansion seem attractive and to make its costs and risks seem worthwhile" (p. 74). Add to that, which Luttwak does not, that similar sorts of pressures are at work in the West and in volatile areas of the Third World, and there is reason for concern that goes far beyond the specter of a new "Turkestan People's Republic" grafted by force onto the USSR.

[3]See Joseph A. Schumpeter, *Imperialism and Social Classes: Two Essays*, New York, Meridian Books, 1955, pp. 64–65.

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Pipes and Brzezinski are less concerned than Luttwak about the danger of Soviet military aggression. Brzezinski, in particular, seems wedded to the assumption that nuclear weapons have prevented a Soviet-American war since 1945 and that they can deter war between the two superpowers into the indefinite future. For Pipes and Brzezinski, the main significance of Soviet internal decline is that it somewhat reduces the Soviet threat, at least for the time being, and, more important, that it offers the United States new leverage over the Soviet Union. Pipes and Brzezinski both call on the United States to match the Kremlin militarily, to resist it politically, and to take advantage of Moscow's troubles to influence it internally.

Brzezinski, in keeping with his geostrategic orientation, emphasizes the military and political aspects of Soviet-American relations. Militarily, he recommends a mix of offensive and defensive forces that would provide "greater flexibility in war-fighting options." Specifically, he would build counterforce weapons of the sort that could be used in a first strike, but deploy them "in numbers deliberately contrived not to pose a threat of a disarming first strike to Soviet strategic forces." He would also move toward deployment of a "limited strategic defense," not in order to achieve President Reagan's dream of a strategic shield for the nation, but rather to "inject a degree of randomness into any Soviet planning of a first-strike nuclear attack" (p. 261). Undergirding these recommendations is an odd sort of confidence in the Soviet Union. As little as Brzezinski trusts the Russians, he trusts them not to adopt a "worst case" view of the American deployments he recommends; he trusts them not to conclude, in other words, that such US deployments are but steps toward an American capacity if not to attack the Soviet Union without risking retaliation, then at least to blackmail it as Washington tried to do in an earlier era of US strategic superiority. The fact that the United States itself has reached just such worst-case conclusions about the Soviet Union on the basis of equally ambiguous Soviet deployments does not give one confidence that this aspect of Brzezinski's "game plan" will work out as intended.

Brzezinski's strategic recommendations also rest on a conception of nuclear war that merits more reflection than is offered in his book. Brzezinski claims partial credit for injecting the notion into Carter Administration thinking that "a nuclear war might not be simply a short, spasmodic apocalypse that could best be deterred by a posture relying on the doctrine of MAD [mutual assured destruction], but that it might entail engagements at varying levels of intensity and over an extended period of time. It followed that to wage such a conflict effectively and, more important, to deter it, the United States needed a mix of offensive and *defensive* capabilities" (p. 161, emphasis in original). What is missing from this passage is an acknowledgment that the notion of waging a nuclear war "effectively" has been powerfully challenged in recent years both as a possibility in itself, and as an approach to deterrence. One hardly expects Brzezinski to embrace Jonathan Schell's apocalyptic vision of the fate of the earth, or even the US Conference of Catholic Bishops' injunction against any except the most narrow conception of deterrence.[4] But Brzezinski's failure even to note such views bespeaks a too easy confidence that ever-new generations of nuclear weapons can be deployed without increasing the risk of a nuclear war.

Politically, Brzezinski's most controversial proposal (a version of which Pipes also endorses) is that Washington encourage West European self-reliance by gradually redeploying troops from Europe "to meet other geopolitical priorities and to prompt European leaders to address the issue of their own defense" (p. 263). The danger in this is that European leaders will address no such thing, but will instead scale back, or even abandon, their efforts to stand up to the Soviets. Why European governments should do more, not less, to defend themselves if the Americans begin to pull out is no clearer than why Europeans should respond to a no-first-use of nuclear weapons declaration by the United States by building up European conventional weapons. Yet, Brzezinski, who points convincingly to that flaw in no-first-use, sees no such inconsistency in "gradual redeployment." Nor does he make clear how the United States could effectively "reinforce the anti-Soviet resilience" of a militantly anti-American Iran, or how a "renewed push to advance the Arab-Israeli peace process" can be expected to be any more successful than previous efforts to foster that obviously desirable but infernally elusive goal (pp. 222, 227).

In addition to military might, European self-reliance, and containment of Soviet power to the south of Soviet borders, Brzezinski's game plan also includes Chinese-Japanese-American solidarity. Moreover, Brzezinski calls for an effort "to transform the essence of Eastern Europe's relationship with Moscow without necessarily disrupting its formal framework" (p. 232), and for mobilizing within the Soviet Union "the forces for genuine political participation, for greater national co-determination, for the dispersal of

[4]See Jonathan Schell, *The Fate of the Earth*, New York, Knopf, 1982.

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central power, and for the termination of heavy-handed central domination that breeds the expansionist impulse" (pp. 236–37). Just how the last feat is to be accomplished is not clear. Brzezinski's main concrete suggestion—that the United States "take the initiative by an intensified program of multilanguage radio broadcasts, the inflow of audiovisual cassettes, and an effort to provide technical support for independent domestic political literature" (p. 237)—seems puny when compared to the purpose it is supposed to promote.

In *Survival Is Not Enough*, the means Pipes recommends for "prevailing" (a term the author implies but does not, himself, use) seem more proportionate to the end, but no more likely to achieve it. Pipes begins from the premise (shared by all the other authors) that the Soviet system badly needs greater legality, wider scope for private enterprise, and administrative decentralization. He also assumes that such reforms will restrain Soviet expansion by allowing citizens preoccupied with domestic concerns to increase their influence over foreign policy. (Brzezinski, by the way, fears that economic reforms, without reforms in other areas, might "enhance the Soviet capacity to compete with the United States.") Pipes admits that, left to its own devices and short of the most painful kind of crisis, the Soviet Communist Party establishment will resist radical changes. Hence the task of the West is to aggravate the Soviet situation by denying Moscow badly needed goods and credits. The purpose of such economic restrictions, Pipes emphasizes, should not be to bring down the Soviet system but rather to stop propping it up, to force it to face a day of reckoning that is primarily of its own making. But as in the case of Brzezinski's strategic nuclear prescriptions, this distinction may be lost on the suspicious Soviets. Moreover, apart from Soviet perceptions of American intentions, the further issue is whether the medicine is likely to produce the desired cure.

The central thesis of Pipes's book is that "the Soviet regime will become less aggressive only as a result of failures and worries about its ability to govern effectively and not from a sense of enhanced security and confidence" (p. 140). This premise is anathema to liberal observers of the Soviet Union who believe the exact opposite. But the more sobering possibility is that neither Pipes nor his liberal critics are right, that neither enhanced security and confidence nor more failures and worries (especially of the sort the United States is in a position to create) are likely to alter the general direction of Soviet foreign policy. It is precisely this important truth that Bialer's book emphasizes and reinforces. His central theme is that the USSR faces not a "crisis of survival" but only a "crisis of effectiveness." Whether we like it or not, the Soviet system has a reservoir of what the Kremlin calls "reserves," that is, of strength and support that equip it to ride out the efforts at economic embargo that the West (invariably divided on the issue of economic sanctions) is likely to be able to mount. Not the least of these reserves is an authoritarian political culture, of which Pipes himself makes a great deal in another context,[5] which disposes so many Soviet citizens to deem their regime legitimate even though it denies them genuine political participation.

BIALER'S PROPOSALS for American foreign policy are more modest and conventional than those of the other authors reviewed here. Unlike Pipes and Brzezinski, who regard arms control as a weak reed at best, Bialer has retained faith in such negotiations. His is not the naive hope that arms control agreements can transform US-Soviet relations and remove the threat of war from the world. Bialer's point is merely that such negotiations, combined with continued efforts to contain Soviet power and even with occasional confrontations when they are warranted, constitute the best way to hold the world together during the long, dangerous years that lie ahead.

No one who reads the first-hand accounts of negotiations with the Soviets in *A Game for High Stakes* can be under any illusion that such talks will be easily or quickly successful. Rather, negotiations will be plagued in the future, as they have been in the past, by differences in approach and technique, by persistent misperceptions rooted in the two sides' divergent political cultures, and by deep-seated political and ideological antagonisms. Nonetheless, ambitious grand strategies designed to "prevail" over the USSR may end up delivering less than may more modest attempts to coexist with the Soviets. This ironic prospect should perhaps be called "the Soviet-American paradox."

[5]Richard Pipes, *Russia Under the Old Regime*, New York, Scribner, 1975.

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Europe's Defense Today

John C. Reppert

ROBERT KENNEDY and JOHN M. WEINSTEIN, Eds. *The Defense of the West.* Boulder, CO, Westview Press, 1984.

JONATHAN ALFORD, Ed. *Arms Control and European Security.* New York, St. Martin's Press, 1984.

ANDREW J. GOODPASTER, FRANZ-JOSEPH SCHULZE, ALASDAIR STEEDMAN, and WILLIAM S. PERRY. *Strengthening Conventional Deterrence in Europe.* Boulder, CO, Westview Press, 1985.

EDWINA MORETON AND GERALD SEGAL, Eds. *Soviet Strategy Toward Western Europe.* London, Allen & Unwin, 1984.

WILLIAM P. BAXTER. *Soviet Airland Battle Tactics.* Novato, CA, Presidio Press, 1985.

THE CASUAL OBSERVER of Soviet-US military relations may be distracted by the extensive publicity given to a wide range of current issues affecting US defense policy. These include terrorism, nonconventional warfare in Latin America, the Middle East, Asia, and Africa, aid to various political struggles in the Third World, and the sophisticated weapons system of the Strategic Defense Initiative. Yet, the specialist knows that the fundamental long-term defense interest of the United States remains bound, not to the jungles of the Third World or to outer space, but to the security of Western Europe, as has been the case since 1945.

The importance of this interest stems from certain permanent factors, such as the long-standing adversary relationship between the United States and the Soviet Union, the special relationship that America has historically had with Europe, and finally, since the advent of the atomic age, a recognition of the extremely high cost to be paid by all for a mistake in superpower relations in Europe. However, several recent factors have acted to focus attention on this vital area. For one, measures introduced in the US Congress to limit defense budgets have forced the United States to reexamine its defense priorities. (Interestingly, these measures, notably the Gramm-Rudman-Hollings balanced budget bills, coincide with the efforts of the new administration in Moscow to focus its own energies on economic issues and to rebuild key industries perceived to be stagnating.) For another, the recent renewal of comprehensive arms control negotiations between the United States and the Soviet Union and the proliferation of arms control proposals have once again made Western Europe the subject of Soviet-US discussions.[1]

In an era of financial constraints and renewed emphasis on arms control, the United States will be making some hard choices affecting West European security, choices that should be based on an understanding of the differences between deterrence and defense and the relationship of both to US capabilities. Fortunately, there already exist serious studies that can help the United States assess the various alternatives available to it. While far from unanimous in their conclusions, these studies shed light on the issues at the heart of the discussion on Western security.

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[1] *The New York Times*, June 1, 1986.

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Ironically, earlier studies on the same subject failed to draw much attention in the past years precisely because of the large flow of US investments into the defense sector; the need to choose priorities and introduce efficiency was less immediate then.

THE EDITORS of *The Defense of the West,* Robert Kennedy and John Weinstein, have made an important contribution to understanding the issues at hand. In the preface to this collection of essays by current and former members of the US Army War College's Strategic Studies Institute, Weinstein notes that deterrence is not a mechanical balance of inanimate objects, but "a state of mind" (p. 2), and both he and Kennedy insist that the United States and its Western allies "must go beyond static and sterile weapons counts" (p. xii).

The authors contributing to this volume explore the difficult question of why Soviet and American defense force postures have evolved so differently. While many interesting answers are discussed, all the authors seem ultimately most comfortable with what Dennis Ross has to say. According to Ross, the factor behind the different evolution of postures is the fact that Americans believe deterrence to be maintained by the assurance that any aggressor would be severely punished in a retaliatory strike, while the Soviets work to assure deterrence by building forces so powerful that no aggressor could hope for victory against them (p. 10). Ross dismisses Richard Pipes's well-known argument that the Soviets reject the concept of deterrence, on the basis that Pipes fails to appreciate the unique Soviet approach to this concept (p. 10).

Each author, in his own context, reminds the reader that true deterrence is determined solely by Soviet perceptions of Western strength and commitment, and that to insure continued deterrence the United States and its allies must concentrate as deliberately on affecting those perceptions as it does on countering weapons systems. Though no one can say with certainty what factors have prevented direct East-West military confrontation in Europe for the past four decades, the authors argue that in the West it has certainly been a function of a careful balancing of measures of physical capability with politically feasible doctrines.

TWO OTHER BOOKS develop the central issue of different postures along separate but related lines. Jonathan Alford, Deputy Director of the International Institute of Strategic Studies, has edited an excellent work on *Arms Control and European Security*. Although obviously somewhat dated by the rapid proliferation of proposals during the past year, Alford's study provides two insights essential for understanding the Soviet defense posture. He identifies Europe as the most important element in Soviet political and military concerns and offers a list of six key continuing Soviet objectives on the continent. They are: (1) preserving the Soviet strategic glacis established in Eastern Europe in the immediate postwar period; (2) preventing resurgence of a German military threat to the Soviet Union; (3) gaining Western, particularly West German, recognition of the existing status quo in Europe, both in order to consolidate the Soviet position in Eastern Europe and to free Soviet energies to meet the Chinese challenge; (4) gradually reducing the US military presence and political influence in Western Europe, provided such a reduction can be obtained without provoking a significant increase in West European, particularly West German, power; (5) preventing the political and military integration of Western Europe; (6) establishing selective bilateral ties with countries of Western Europe in order to gain political leverage both within Western Europe and in West European–American relations (pp. 14). Although the Soviets have reinterpreted these goals in light of other considerations, such as the role of China, and the relative importance of these goals has varied over time, Alford's list is an excellent starting point for appreciating Soviet perspectives, which differ so from those of the West.

Perhaps the unique strength of Alford's book is its appreciation of the military relationship between East and West as but one important element in a much more complex political, ideological, and economic confrontation. The author also points out the basic persistence of such Soviet objectives as opposition to the political and military integration of Western Europe (p. 14). Without these historical perspectives, the rapid response to the current arms control proposals appearing at the negotiations and in the press seem at best confusing and often contradictory.

Alford also examines the relative strengths and weaknesses of East and West in confrontation and in arms control in particular. Few who have negotiated with the Soviets would challenge his highlighting of persistence as one of the Soviets' greatest strengths. Though not optimistic about the prospects for arms control, Alford does provide a succinct analysis of how it can fit into the general context of national security.

EVEN MORE IMPRESSIVE is the volume produced by the European Security Special Panel, headed by former Supreme Allied Commander in Europe (NATO) General Andrew Goodpaster, former Commander-in-Chief of Allied Forces in Central Europe General Franz-Joseph

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Schulze, retired British Air Chief Marshal Sir Alasdair Steedman, and former US Undersecretary for Defense, Dr. William Perry. Under the rubric of *Strengthening Conventional Deterrence in Europe,* these highly qualified experts define the measures NATO would need to take to engage and counter Soviet and Warsaw Pact forces in Europe. They show a sophisticated understanding of Soviet doctrine pertaining to defense and deterrence, as well as of the means for opposing this doctrine bearing in mind the political and economic bounds of the Western democracies. This work is a valuable extension of an earlier study of the same title written by this group, which argued for the need to improve NATO's conventional capabilities.

Strengthening Conventional Deterrence in Europe is remarkable on several counts. The first is its understanding of the close relationship between deterrence and credible defense against a Soviet attack. The work correctly discerns that no new doctrine nor weapons system, however impressive, can be useful in deterring the Soviets if it is unable to contribute to a successful defense of Europe per se. It is those plans and systems that would deny the Soviets a quick or certain victory on the European continent that contribute most significantly to deterrence.

Specificity is the book's second strong point. While certainly not intended to be all-encompassing, the volume does discuss in some detail a wide number of aspects of warfare, ranging from the armored ground attack to air superiority and questions of command and control. For each of these areas, it offers a perceptive analysis of Soviet strengths and vulnerabilities and a critical assessment of the most reliable, cost-effective means for countering the Soviets. These measures would be designed not only to frustrate the physical resources of the Warsaw Pact, but to prevent the realization of such important Soviet strategic goals as surprise, combined arms operations, and the maintainance of rapid movement and momentum. The countermeasures are further specified in a special section discussing the timeframes in which such new systems could be made available and their projected cost. A final note in each section explores possible or probable Soviet responses to each change and the ultimate benefits of the realignment.

THE LAST TWO BOOKS under review here draw attention back to the central theme of the Soviet Union's perception of Western actions and its likely response to them. In a study ambitiously entitled *Soviet Strategy Toward Western Europe,* Edwina Moreton and Gerald Segal assemble a collection of views on European security. The book is flawed in certain fundamental respects, primarily due to a mismatch of promise and performance. For instance, the book claims to offer a "distinctively European view" of security issues (p. 2), yet of the eight contributors only Hannes Adomeit comes from outside the Anglo-American camp. Moreover, R.A. Mason's chapter on "Military Strategy" offers a markedly less profound examination of Soviet military strengths and weaknesses than the other works reviewed here.

Still, there is much to recommend this volume. Mason's article has the plus of reminding the reader that Soviet inhibitions may be a function not only of how they view the West, but also of how they view themselves, particularly in the areas of civil defense, reliability, and any post-conflict scenario. The author acknowledges that the Soviets have the world's most extensive civil defense program, yet they must retain considerable skepticism concerning its ability to protect lives, much less property. He argues that a range of opinions exists among Western specialists as to the reliability of the national components of the Warsaw Pact forces and even of nationality groupings within the Soviet military. He suggests that Soviet actions since 1983 indicate that the Soviets too are less than confident on this point. Finally, Mason raises the question of what would be the nature of the Soviet Union after a conflict in which its military had been either defeated or severely depleted and what would be its residual political and economic influence on the developing world.

The strength of *Soviet Strategy Toward Western Europe* lies in its broader perspective. Mason points out that the often overlooked change in the Western perception of the Soviet threat from uncertainty about Soviet capabilities to uncertainty about Soviet intent is largely a function of the increasing sophistication of "national technical means" of surveillance (pp. 165–66). He also notes that the very real lack of any Soviet economic or ideological leverage in Europe could serve as an alternative to Soviet military power. The chapter by Jane Sharp on "Arms Control Strategies" is an excellent companion piece since it addresses arms control within the context of a broader strategy, rather than simply as an isolated policy. Sharp outlines some basic elements of Soviet strategy, including efforts to limit the military potential and undermine the political cohesion of NATO (p. 239). She also evaluates the Conference for Security and Cooperation in Europe (CSCE), the Mutual and Balanced Force Reduction (MBFR) talks, the Strategic Arms Limitation Talks (SALT), and the Intermediate Range Nuclear Force (INF) negotiations in light of a common strategy. Although her data do not go beyond 1982, they

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clearly indicate that Soviet strategy is far more permanent than Soviet negotiating tactics might suggest.

WILLIAM BAXTER'S *Soviet Airland Battle Tactics* also suffers from incongruity between title and content. While heavily utilizing Soviet sources, this work is in no way a companion piece to the elaborate expositions of US doctrine produced in recent years. Nonetheless, it is perhaps the most comprehensive discussion available in Western literature of how the Soviets would prosecute a war in Europe. The author, a longtime observer of the Soviets in Europe, combines his personal expertise with information from nonclassified Soviet literature to outline the unique Soviet approach to a conflict in Europe. For example, despite Soviet protestations about the defensive nature of their armed forces, the Soviet devotion to offensive operations is fundamental. As Baxter notes, any student of Soviet military literature must recognize that Soviet doctrine and exercises for Europe anticipate a war fought on the enemy's territory and aimed at annihilating enemy forces and occupying the defeated nations (pp. 104–05).

More specifically, Baxter defines Soviet views on a host of combat operations, ranging from air defense to river crossings. His interpretation of these approaches to specific problems in light of the psychological and sociological aspects of the Soviet military and of the relations between the military and the society he describes in the initial chapters is instructive.

For all those attempting to develop expertise on the topic through use of Soviet sources, Baxter's study is invaluable, thanks to its use and explanation of Soviet terminology. For example, Baxter lists and analyzes the Soviets' six "laws of war" and eleven "military principles"—terms basic to an understanding of Soviet military decision-making (pp. 8, 30–33). He, like Harriet and Bill Scott, two of our preeminent scholars in the field of Soviet military affairs impresses on us that Soviet military theory has its own vocabulary and meanings, which one ignores at one's own peril.[2] He also notes that literal translation of Soviet terms often obscures rather than clarifies real understanding of them (p. 25).

THE RICHNESS of the literature on the subject having been revealed, let us now return to the question of how, under present circumstances, can the West maintain and improve West European security. All the authors of the volumes reviewed here note foremost that Western preoccupation with technology and quantification often fails to serve the quest for improved security. According to them, technological innovations have given the West considerable insight into the numbers, types, and capabilities of weapons systems in the Warsaw Pact arsenal; what is now needed is to achieve a fuller understanding of Soviet intentions and inclinations, hopes and fears. They argue that it is too easy to forget, when examining the range of options available to the West on issues ranging from arms control to force modernization, that the basic issue at stake for both sides is not one of weapons, but of security. Indeed, new weapons systems on either side may detract from the security of that side rather than add to it, they point out, depending on the perceptions and responses of the other side. Likewise, proposals for arms control which are perceived by one's opponent as an acknowledgment of weakness can decrease the likelihood of an equitable agreement, rather than making it more likely.

Two authorities cited in the Kennedy and Weinstein book note the further pitfalls of focusing solely on the material aspects of one's opponent and suggest a solution. Quoting Richard Betts, Weinstein notes:

Much of what passes for net assessment, however, is a narrow focus on static orders of battle—the observable and quantifiable constituents such as manpower and equipment—or dynamic simulations of combat engagement. The numerous subjective or intangible factors such as campaign strategy, operational doctrine, training morale, or command competence receive shorter shrift, yet these factors (unless material imbalance is overwhelming) almost always do more to determine the outcome of battle than the numbers of troops and distribution of weapons. (p. 41)

In the same chapter, Weinstein cites Benjamin Lambeth's call for more effective "vulnerability analysis" of the Soviet Union (p. 63), which could easily include those aspects of vulnerabilities in combat performance mentioned above.

All the authors also maintain that Soviet decision-making concerning defense is simply different from that of the Western alliance. While some find gratification in pointing out the fallacies in the Soviet conceptual approach to these issues, most suggest that it would be far more useful for the West to recognize the differences that do exist and seek to deal with them intelligently. Indeed, they argue that Western energies and resources should be expended on those programs that have an impact upon Soviet perceptions. As Mason implies in his chapter in *Soviet Strategy toward Western Europe*, for the

[2]Harriet Fast Scott and William F. Scott, *The Soviet Art of War*, Boulder, CO, Westview Press, 1982, p. 4.

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West the task of reducing its uncertainties regarding Soviet intent should replace that of gauging Soviet capabilities.

Clearly the most unanimous and valuable argument put forth by all the authors of the volumes reviewed here is that effective security depends on wise choices made on the basis of an understanding of the way the Soviets think. If Clausewitz's dictum about concentrating one's effort's on the opponent's "center of gravity" holds, then it suggests that today, in an area such as Western Europe where deterrence is paramount, the West would do well to direct efforts toward discerning how the Soviets think, act, and react in order to maintain peace and security. While, as Baxter notes, it is not easy to think like a Russian, or a member of any foreign nationality for that matter, the difficulty of the task should not serve as an excuse for not rising to the challenge.

The lessons and insights in the works reviewed here are rich and plentiful. Combining historical experience, current public Soviet statements, and Marxist-Leninist tenets, the authors of these books have laid out some elements of the basic framework by means of which the peculiarities of Soviet thought can be appreciated. This knowledge should help in crafting an adequate defense and effective deterrent with more limited resources. It can point the way to programs that will combine appeal to the Soviets and improved security for the West and spotlight those that unduly threaten or confuse the Soviets and/or degrade Western security.

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Grenada's "Revo"

Timothy Ashby

PAUL SEABURY and WALTER McDOUGALL, Eds. *The Grenada Papers*. San Francisco, CA, ICS Press, 1984.

HUGH O'SHAUGHNESSY, *Grenada: An Eyewitness Account of the US Invasion and the Caribbean History that Provoked It*. New York, Dodd, Meade and Company, 1985.

TONY THORNDIKE. *Grenada: Politics, Economics, and Society*. Boulder, CO, Lynne Rienner, 1985.

GREGORY SANDFORD. *The New Jewel Movement*. Washington, DC, US Department of State Foreign Service Institute, 1985.

GREGORY SANDFORD and RICHARD VIGILANTE. *Grenada: The Untold Story*. Lanham, MD, New York, London, University Press of America, 1984.

JIRI VALENTA and HERBERT J. ELLISON, Eds. *Grenada and Soviet Cuban Policy*. Boulder, CO, Westview Press, 1986.

PETER DUNN and BRUCE WATSON, *American Intervention in Grenada: The Implications of Project "Urgent Fury."* Boulder, CO, Westview Press, 1985.

ON MARCH 13, 1979, Maurice Bishop, Bernard Coard, and some 40 other members of the New Jewel Movement (NJM) overthrew the government of Grenada with an ease that surprised even the young revolutionaries. Grenada's "Revo" was welcomed by a majority of the island's population—from conservative business and church leaders to the peasantry and Rastafarians—who were weary of the venality and eccentricity of the deposed prime minister, Sir Eric Gairy. Grenadians and foreign observers alike tended to believe Maurice Bishop's promises of early elections, a mixed economy, and a nonaligned foreign policy.

Such promises soon proved false, however. Within days of taking power, Grenada's new People's Revolutionary Government (PRG) began strengthening the clandestine ties it had forged with Cuba and the Soviet bloc in the years preceding the coup.[1] Between March 13, 1979, and October 25, 1983, Grenada was the setting for a Marxist-Leninist tragi-comedy unprecedented in the Commonwealth Caribbean. Using what Maurice Bishop referred to as "the land of Lenin" as a model, PRG officials attempted to emulate the Soviet Union as earnestly as their colonial ancestors had copied the manners of mother Britannia. The NJM Central Committee and Political Bureau suspended press and political freedoms, imprisoned dissidents, and edged tentatively toward the Soviet economic model. "Internationalist workers" from the USSR, Cuba, East Germany, Bulgaria, and North Korea arrived—many self-invited—to arm and train the People's Revolutionary Army (PRA), organize a state security apparatus, and infiltrate government ministries. As admitted by Marshal Nikolay Ogarkov, chief of the Soviet General Staff, "specialists" were also sent to Grenada to conduct studies and oversee the completion of "military construction projects."[2]

Timothy Ashby is Policy Analyst for Latin American Affairs at the Heritage Foundation (Washington, DC). He is author of The Bear in the Backyard: Soviet Strategic Policy Toward the Caribbean 1920 to 1986, *to be published by Lexington Books in January of 1987. Dr. Ashby lived and worked intermittently in Grenada in the years between 1967 and 1980.*

[1] See also Gregory Sandford and Richard Vigilante, *Grenada: The Untold Story*, p. 54. During my year-long stay in Grenada (1977–78), I was told by some NJM members of their visits to Cuba, using Jamaica and Guyana as transit points, and their training there.

[2] "Meeting Between Chiefs of General Staff," in *Grenada Documents: An Overview and Selection* (hereafter cited as *Grenada Documents*), No. 24, Washington, DC, US Department of State and Department of Defense, September 1984, p. 4.

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But the NJM's experiment in Caribbean-style Marxism-Leninism collapsed four-and-half years later, as a result of a power struggle between the party's two wings: the Bishop, or Castroite wing; and the Coard, or Stalinist faction. The latter proposed that leadership of the party be shared by Bishop and Coard, with Bishop's specific responsibilities largely reduced to ceremonial functions. By this time, Coard controlled the Political Bureau (the NJM's chief policy-making element) and the Organizing Committee (the party's administrative organ), thereby negating Bishop's power as chairman of the NJM Central Committee.

The final split in the PRG occurred at a Central Committee meeting on October 12, 1983, when Bishop refused to share power. Calling for "Bolshevik staunchness," the Coard faction expelled Bishop from the NJM and placed him under house arrest. On October 19, a large crowd of supporters freed Bishop and carried him to Fort Rupert, a PRA base, capturing it with minimal resistance. A PRA unit equipped with Soviet BTR–60 armored personnel carriers counterattacked, killing and wounding nearly 200 civilians before capturing Bishop and six of his senior colleagues. The former Grenadian leader and the others were summarily executed by PRA troops chanting "Long Live the Central Committee!" and "Forward Ever, Backward Never!"(Thorndike, p. 163). Later that day, the PRA's main Political Department issued a communiqué that announced the "crushing" of "Maurice Bishop and his other petty bourgeois and upper bourgeois friends" (O'Shaughnessy, p. 140).

That night, General Hudson Austin, commander-in-chief of the "People's Revolutionary Armed Forces," announced over Grenadian radio that a 16-man Revolutionary Military Council (RMC) had been formed to rule the island, and that a round-the-clock, shoot-on-sight curfew was in effect. The RMC sent patrols into all districts to hunt down suspected opponents. Friends and relatives of Maurice Bishop were imprisoned, as were Grenadian journalists and businessmen. The only operational commercial airport was closed, and foreign journalists were expelled. The nearly 1,000 American residents on the island—primarily medical students at St. George's University School of Medicine—were confined to their quarters and many later expressed fear that they might have become victims of a hostage crisis as had happened in Iran. The RMC's actions were condemned by Grenada's Caribbean neighbors, including Bishop's mentor Fidel Castro, who decried the "atrocious acts" and called for the "exemplary punishment" of those guilty of them.[3]

The Organization of Eastern Caribbean States (OECS), joined by nonmembers Jamaica and Barbados, unanimously resolved to intervene by force in Grenada if the United States would assist them. This led to the joint US-OECS intervention on October 25, 1983, and Grenada's Marxist interlude became but another chapter in the island's long and bloody history.

A DEFINITIVE HISTORY of Grenada under the People's Revolutionary Government has yet to be written. As the climactic events of October 1983 recede into the past, more material will inevitably become available to fill the blank spaces left by the authors and compilers reviewed here. The final chapter on Grenada's revolutionary period and its aftermath awaits conclusion of the trials of Bernard Coard and members of the RMC for murder and conspiracy, the declassification of US intelligence files, and years of scholarly analysis of the vast collection of captured PRG documents.[4]

A selection of these documents is contained in *The Grenada Papers*, edited by Paul Seabury and Walter McDougall. Essentially a cleaned up and more readable version of the "Blue Book" of Grenada documents released by the US government shortly after the invasion, the Seabury and McDougall volume should be put on the required reading lists of graduate school courses in World Communist Movements because of the unique insight it provides into the inner workings of a Third World Marxist-Leninist regime.

Such source material, however, can lead to credible analysis only when it is used objectively and comprehensively. Hugh O'Shaughnessy's *Grenada: An Eyewitness Account*, a journalistic *tour de force* rather than the history it purports to be, is a case in point. By making selective use of the captured documents O'Shaughnessy downplays the Soviet Union's strategic interest in Grenada and attempts to perpetuate the view that Bishop was a moderate whose ideological inclinations were more social democratic than Marxist-Leninist. Such interpretation is in direct variance with Bishop's own views, as put forth in his September 13, 1982 "Line of March for the Party" speech, in which he referred to himself as both a Communist and a Marxist-Leninist whose goal was to "build rapidly our links with the Socialist World, especially with the Soviet Union."[5] More-

[3]Havana Television Service, Oct. 21, 1983, trans. in Foreign Broadcast Information Service, *Daily Report: Latin America* (Washington, DC), Oct. 21, 1983, p. Q/1.

[4]The extensive collection of PRG secret documents, official correspondence, diaries, newspapers, and other papers from the Bishop regime are housed in the National Archives, Washington, DC.

[5]"Maurice Bishop's 'Line of March' Speech, September 13, 1982," in *Grenada Occasional Papers*, No. 1, Washington, DC, US Department of State, August 1984, p. 9.

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over, Bishop, as minister of national security, was solely responsible for the detention and imprisonment of hundreds of his political opponents. As he told NJM "comrades" in a secret speech: ". . . consider how people get detained in this country. We don't go and call for no votes. You get detained when I sign an order . . . ."[6]

Far from being closet social democrats, Bishop and his NJM comrades appear to have joined the Socialist International in part to serve as the proxy of Cuba in that country's efforts to undermine social democracy in the region. One of the captured documents states that "the projection of Social Democracy in Latin America and the Caribbean . . . does represent a permanent enemy of the essential objectives of the communist and left movements in that this trend intends to prevent the triumph of socialist revolutions and the materialization of the communist ideal."[7] NJM Central Committee member Chris De Riggs's report on a Secret Regional Caucus held in Managua in January 1983 concluded that the NJM's "principal enemies are to be found among the parties of Soares and Horgo in Portugal and Italy respectively—the Social Democrats of the USA are also our sworn enemies."[8]

It is unfortunate that O'Shaughnessy relies so heavily on dubious sources to bolster his arguments. The statements of Cuban diplomats and soldiers cannot be accepted as unbiased accounts, nor can the author's interviews with Kenrick Radix, Einstein Louison, and other former NJM members, who now comprise the leadership of the Maurice Bishop Patriotic Movement (MBPM), Grenada's small communist party. O'Shaughnessy also waxes fulsome in his praise of the PRG's spurious economic achievements, yet neglects to mention the NJM's August 1983 Political/Economic Bureau discussion on International Monetary Fund assistance, during which Bishop suggested using "the Surinamese and Cuban experience in keeping two sets of books" (Sandford and Vigilante, p. 87).

TONY THORNDIKE'S *Grenada* is far superior in scholarship, although, like O'Shaughnessy, he writes from a leftist British perspective that portrays US relations with Grenada in an unflattering light and casts Maurice Bishop in the hackneyed role of revolutionary martyr. Thorndike makes extensive and—with a few notable exceptions—intellectually honest use of the Grenada documents. Given evidence to the contrary, one wonders how he can uncritically accept the Bishop regime's contention that the Port Salines Airport project was solely intended to revive Grenada's moribund tourist trade, and ridicule the Reagan administration's concern over the strategic potential of the project. Although the Cuban-built "International Airport" was not specifically designed as a military airfield, the PRG obviously intended it to serve a dual purpose. In a December 1981 speech to Jamaica's official communist party, the Workers' Party of Jamaica, Grenadian Minister of National Mobilization Selwyn Strachan stated that Cuba would eventually use the new airport to supply troops to Africa, and that the USSR would also find it useful because of its "strategic location" astride vital sea lanes.[9] Liam James, the PRG's Soviet-trained deputy defense secretary, recorded in his notebook during an NJM meeting on March 22, 1980, that one of the agenda items was that the "Airport will be used for Cubans and Soviets."[10] Another NJM member who had received training in Moscow wrote in his diary in October 1983 that rumors were being spread that "the Party wanted Bishop to sign for the airport to be a military base and he did do that."[11] Bishop himself, in his *Newsweek* interview of March 31, 1980, said that his new airport might be used for Soviet and Cuban airlifts to trouble spots.

The documents also indicate that the Soviet Union was planning to provide the PRG with its own air force—possibly as a basis for the eventual stationing of Soviet-bloc aircraft and pilots on the island. In May 1983, Soviet Ambassador Gennadiy Sazhenev told Bishop that an AN–26 capable of carrying "39 paratroopers" would be supplied to Grenada, although it was preferred that Cuban pilots fly the aircraft.[12] One of the agenda items (unfortunately not discussed) for a Political Bureau meeting on June 22, 1983, was "Soviet pilots and planes," while two months earlier the NJM's Organizing Committee had discussed a Soviet offer to send four "physically fit" Grenadians to the Soviet Union to be trained as pilots.[13] Finally, Marshal Ogarkov's clearly stated interest in sending Soviet engineers to Grenada to study

[6]Ibid., p. 6.

[7]"Analysis of Social Democracy in Latin America and the Caribbean," in *Grenada Documents*, No. 36, p. 14.

[8]"Report on Meeting of Secret Regional Caucus Held in Managua From 6th–7th January, 1983," in ibid., No. 39, p. 3.

[9]*Grenada: A Preliminary Report*, Washington, DC, US Department of State and Department of Defense, Dec. 16, 1983, p. 30.

[10]"Page from Liam James' Notebook," in *Grenada Documents*, No. 23.

[11]*Grenada: A Preliminary Report*, p. 30.

[12]"Summary of Prime Minister's Meeting With Soviet Ambassador, 24th May, 1983," in *Grenada Documents*, No. 21, p. 3.

[13]"Minutes of the Political Bureau Dated 22nd June 1983," and "Minutes of Organizing Committee, 18-4-83," in *Grenada Documents* (unbound version).

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the possible construction of military projects is evidence that Moscow was cognizant of Grenada's strategic potential.[14]

Both Thorndike and O'Shaughnessy also neglect Cuba's role in bringing the NJM to power. The NJM's overt relations with Cuba antedated the 1979 coup by at least three years. In 1976, a Grenada-Cuba Association was founded, and Bishop and other NJM members openly traveled to conferences in Havana. Prior to the "Revo," General Hudson Austin received military training in Cuba and Guyana with half a dozen other Grenadians. Oswaldo Cardenas, a senior Americas Department (DA) intelligence officer who later became Cuban ambassador to Suriname, was assigned to work with the NJM reportedly to prepare them to take power. This was accomplished with the aid of a team of Cuban commandos from the Directorate of Special Operations (DOE), who supervised the NJM assaults on True Blue Barracks and Radio Grenada.[15]

GREGORY SANDFORD'S two works, *The New Jewel Movement* and *Grenada: The Untold Story* (the latter co-written with Richard Vigilante), deal more objectively with both Grenadian-US relations and the NJM's alliances with the Soviet bloc. Sandford, who served as consular officer at the US embassy in Barbados during 1980–81, made use of declassified US documents and captured papers, as well as interviews with Grenadians representing a broad spectrum of political viewpoints.

Sandford's most valuable US source is "US-Grenada Relations Since the Coup: A Background Paper," written by Foreign Service Officer Lawrence Rossin during a tour of duty at the US embassy in Barbados at the time the PRG regime was in power. The "Rossin Report" systematically debunks the argument that the Bishop government was "forced" to turn to Cuba for military aid because the United States and other Western nations had turned it down. The PRG had indeed made a very ambiguous request for arms to US diplomatic officers on April 7, 1979. However, the next day, before a formal response could come from Washington, Bishop told a rally that he "planned" to ask Cuba for arms (a quantity of which were already enroute), and that Grenada would soon receive Cuban diplomatic recognition followed by technical and material assistance.[16]

On April 13, exactly one month after the coup, Bishop made a speech that seems to have been deliberately designed to distance his regime from the United States. Accusing US Ambassador to the Eastern Caribbean, Frank Ortiz, of making "veiled threats" and ignoring his pleas for aid, Bishop angrily proclaimed that "we are not in anybody's backyard, and we are definitely not for sale."[17] This speech was picked up by a variety of international news agencies and, according to Rossin, became the basis for the widely disseminated disinformation that Grenada had been pushed into the Soviet camp by US insensitivity. This speech set the stage for the next day's official announcement that Cuba had established formal diplomatic relations with Grenada and had assigned Julian Enrique Torres Rizo, a senior DA intelligence officer and formerly the head of the Cuban mission to the United Nations, to be its representative.

THE FINAL TWO works reviewed here are collections of essays on the policy implications of the Grenada drama. Of the two, *Grenada and Soviet Cuban Policy* is the superior work, containing highly objective studies by prominent scholars and specialists of differing ideological perspectives, including Margaret Daly Hayes, Jiri and Virginia Valenta, and Jorge Domínguez. The Valenta's essay, "Leninism in Grenada," is a classic piece of scholarship, concisely illustrating the complicated and often ambiguous relations among the NJM, the Communist Party of the Soviet Union (CPSU), and the Cuban Communist Party (PCC). The Valentas correctly point out that Moscow did not consider Bishop to be either a reliable Caribbean ally or a potential proxy. Soviet officials appear to have had doubts about Bishop for some time, manifested by their evident displeasure over Grenada's membership in the Socialist International and over Bishop's having ordered the PRG ambassador in Moscow not to relate details of his meeting with senior Reagan administration officials in Washington, DC, just a few months before he was deposed.[18] Bishop's Leninist credentials were also poor, as indicated by his unwillingness to abide by the NJM Central Committee decision to impose collective leadership. While no evidence has surfaced to directly implicate the Soviets in Bishop's overthrow, there can be little doubt that the Kremlin would have preferred Bernard Coard as de facto or de jure leader of the PRG.

[14]"Meeting Between Chiefs of General Staff, March 10, 1983," in *Grenada Documents*, No. 24, p. 4.

[15]For Cardenas's role in preparing the NJM and the role of Cuban commandos, see Timothy Ashby, *The Bear in the Back Yard: Moscow's Caribbean Strategy*, Lexington, MA, Lexington Books, to be published January 1987.

[16]Lawrence G. Rossin, "US-Grenada Relations Since the Coup: A Background Paper," Washington, DC, US Department of State, Case Control No. 8402598, Jan. 17, 1983, p. 18.

[17]Maurice Bishop, *Forward Ever!*, Sydney, Pathfinder Press, 1982, p. 12.

[18]"Grenada's Relations With the USSR, 11th July, 1983," in *Grenada Documents*, No. 26, p. 4.

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Mark Falcoff's chapter on Grenada's impact on Cuban foreign policy sheds new light on the Soviet Union's use of Cuba as a type of "revolutionary search service" to identify, nurture, and promote leftist groups and governments that might eventually serve Soviet strategic interests. The comments of W. Bruce Weinrod on the US-OECS intervention in Grenada are also insightful, particularly his refutation of George Liska's contention that there exists a moral asymmetry between the United States and the Soviet Union. Moreover, Weinrod's analysis points out the pitfalls of attributing Soviet foreign and strategic policy solely to traditional great-power motivations. Although leaders of the Russian empire have maintained great-power aspirations for centuries, he notes, there can be little doubt that the Soviet Union's Marxist-Leninists have significantly shifted the emphasis and rationale for their country's role in world politics.

THE VOLUME *American Intervention in Grenada,* edited by Peter Dunn and Bruce Watson, impresses one as having been hurriedly thrown together to capitalize on the international interest in Grenada generated by Operation "Urgent Fury," the allied intervention in the island. This is reflected in the uneven quality of both the scholarship and the credentials of the contributors, some of whom can hardly be considered specialists on Caribbean regional affairs or US foreign policy.

One essay, contributed by "a career military intelligence officer," betrays a woeful ignorance of the Cuban intelligence agencies. For example, Cuban Ambassador Torres Rizo is called "a senior American Department Intelligence officer," while the reference to "the Cuban intelligence service's Directorate of Special Operations" is followed by the incorrect acronym "DGI" (pp. 47).

There are actually four Cuban intelligence agencies—the *Dirección General de Inteligencia* (DGI), *Dirección de Operaciones Especiales* (DOE), *Departamento América* (DA), and *Departamento General de Relaciones Exteriores* (DGRE). The DGI, established in 1961, now effectively functions as a branch of the Soviet KGB and, together with the DOE and an internal security branch, comes under the jurisdiction of the Ministry of the Interior, now headed by KGB-trained General Jose Abrahantes. The DOE is an elite special forces detachment used for highly sophisticated services such as the tactical and logistical support of guerrilla operations and for coups d'état like the March 13, 1979, Grenada "Revo." The DA and DGRE function as the intelligence branches of the Cuban Communist Party; the DA (of which Torres Rizo was a member) is responsible for the Western Hemisphere, while the DGRE conducts operations in the rest of the world.

Unlike the scholarly *Grenada and Soviet Cuban Policy,* Dunn and Watson's collection of essays contains no new perspectives on the PRG or implications for future US regional policy. G.F. Illingworth's contribution, for example, falls into the common trap of simplistically portraying Bishop as the martyred hero of the Revolution. While acknowledging that Bishop's prisons "held political prisoners, and many prisoners were tortured," Illingworth lamely says that Bishop "was the lesser of evils on Grenada," and betrays his ignorance of the island by asserting that "there is considerable feeling among Grenadians that the Point Salines airfield when completed should be named the Maurice Bishop International Airport in recognition of the monumental project pulled off virtually through the efforts of this leader of a very small and poor state" (p. 137). On the contrary, Bishop and the NJM campaigned vigorously *against* the Point Salines airport prior to coming to power, while the only Grenadians publicly calling for naming the airport in Bishop's memory are the faithful handful comprising his namesake political party, the MBPM. Polls taken over the past three years indicate that a majority of Grenadians favor naming the airport in honor of the US president who presided over the allied intervention of October 1983.

Grenada offers some important lessons. The parallels between Soviet and Cuban activities in Grenada and those in Nicaragua are striking. The Grenada Documents contain irrefutable evidence of a well-organized network of regional revolutionaries dedicated to the spread of Marxism-Leninism in Grenada. Regardless of the island's small size, the PRG records indicate that Grenada may have been destined for a significant role in Moscow's Caribbean strategy.

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Chinese Socialism's Record on Food and Agriculture

Bruce Stone

NICHOLAS R. LARDY.
Agriculture in China's Modern Economic Development.
Cambridge, Cambridge University Press, 1983.

KENNETH R. WALKER.
Food Grain Procurement and Consumption in China.
Cambridge, Cambridge University Press, 1984.

FEW ECONOMIC TOPICS have invited as much curiosity, enamorment, skepticism, hostility, and continued controversy as the efforts of the Chinese Communist Party (CCP) and its associated government to wrestle with China's immense problems of social welfare and economic development. Popular opinions have been especially divergent over the record of China's often described rural-based revolution and the policy performance of its successive post-1949 leaderships in the areas related to agriculture, rural life, and basic needs of the population at large.

Two recent books, one by Nicholas Lardy, the other by Kenneth Walker, are arguably the best that Western economists have produced on the political economy of China's food and agricultural sectors in at least two decades and possibly longer. Both works are based on a meticulous and thoughtful examination of primary source materials, and both are exceedingly well presented. The statements of problems to be addressed and the analytic frameworks postulated are clear and concise; the argumentation and development of themes are unambiguous, persuasive, and succinct. These attributes are especially noteworthy in Walker's study, but this is partially a function of the substantial difference in scope of the two books, despite the complementarity of their central topics.

WALKER'S BOOK focuses intensively on the dynamic path of interprovincial transfers of grain and its geographically and materially shifting end uses. With the patience of a careful anatomist, Walker microscopically scrutinizes each detail of a confusing, poorly illuminated, and heterogeneous collection of historical materials to formulate a skeleton of quantification with which to position and comprehend further lacunae. Walker's decade of research in this style is a thoroughly warping experience in the positive sense; as a result, he sees many of the larger issues of political economy and rural policy through the prism of the struggle to procure, transfer, and redistribute grain. His conclusions then flow naturally from this understanding and from the organized body of material supported by his statistical framework.

Lardy, by contrast, seems to take on the broad questions right from the start: (1) Why was agricultural growth in China so slow despite ample evidence of technical progress, and why did it appear to *decelerate* and per unit of output costs *accelerate* with the acceleration of technical change? (2) What explains the persistence of widespread malnutrition in a socialist society whose per capita income had doubled from the 1950's to the 1970's? (3) And how can we differentiate the real Mao Zedong from the rhetoric on two fundamental issues of political economy?

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Was he bureaucratist or anti-bureaucratist, centralizer or decentralizer? Did he promote rural prosperity and emphasize agriculture, or can he be broadly grouped in the more familiar category of urban- and industrially-oriented central planner?

Although Lardy tantalizes the reader with these questions in his preface, and continues to refer to them thematically as the chapters unfold, one has the distinct impression that his research effort was organized along rather different lines, emanating from a basis in Western economic theory and political thought: (1) There must be considerable costs associated with control of product, labor, and financial markets and the geographic and sectoral restriction of trade under Chinese socialism. What are they? Who bears them? Can they be quantified? (2) How can a quantitative basis be established for refuting the principal myths of success about Chinese socialism: that it is socially pro-rural and oriented toward rural development in terms of economic dynamism; that it embodies a strategy of economic development that focuses on the development of the agricultural sector; that it has succeeded in providing basic needs for China's poor.

THESE DIFFERING *modi operandi* lead to two distinctly different types of products, although a relatively similar overall message may be discerned in each: Chinese socialism has been no panacea for the problems of farm production development and the food economy of this largest of peasant societies. At best, it has traded for modest advantages in solving one set of problems by accepting serious disadvantages of a more intractable and far-reaching nature; at worst, it has stultified development and exacerbated rural poverty and rural catastrophe.

Walker's task is more straightforward if not easier: to quantify provincial production, transfer, and distribution of foodgrains and to track the policy shifts and underlying issues and crises that engendered them. His creative effort is predominantly engaged in finding plausible explanations for the numerous patterns he uncovers. The resultant tone is essentially nonpolemical. Lardy's creative effort, on the other hand, often appears primarily addressed to the issue of formulating methodology and quantification to present the academic case against socialist development. Though both scholars are unmistakably economists, Walker appears to be part historian by temperament, while Lardy could pass for barrister reincarnated as economist.

The reader is well-advised in both cases to work through the entire books and not rely on summaries or concluding sections. This is first and foremost because the works are richly textured and filled with thoughtful observations from two of the very best Western minds specializing in the subject area. But it is also because in each case, though for quite different reasons, the relationship between the individual sections and the work as a whole leaves something to be desired.

In Walker's case, the value of his effort can be gleaned only by following the tortuous historical path he lays out, thereby culling both his periodic reflections on the emerging quantification and his occasional conclusions, which are relatively original and owe little to a brief list of antecedents.[1] There are no handy concluding paragraphs at the end of each chapter, and only a few pages in the 33-page final chapter can be described as summary or conclusion, the remainder being a kind of epilogue on the 1970's. One is tempted to coax Walker to venture a perspective on a variety of larger issues, most notably the relationship between China's struggle with procurement and distribution of grains and the direction and scope of CCP policies in general during the period.

By contrast, Lardy's conclusions are numerous and clear, relate to the specific as well as larger issues, and are easily located in a separate section at the end of each chapter. But few are original, and several are poorly supported by the nevertheless engaging analysis and quantitative presentation in the text.

IN HIS FIRST chapter, Lardy provides a thin sketch of agricultural development in pre-1949 China. This gives readers an impression of where he comes out in the debate over why China, which was at the pinnacle of the world's civilizations in technological and economic terms during the Ming Dynasty (1368–1643), was so late entering modern economic growth and the industrial revolution. Lardy rejects the view that by the end of the 19th or early 20th century, population pressure had eliminated sufficient investible surplus above rural subsistence to provide investment necessary for technical and industrial transformation.[2] He emphasizes

[1]See, e.g., Ronald Hsia, "Government Acquisition of Agricultural Output in Mainland China, 1953–56," ASTIA Document No. AD–211940, Santa Monica, CA, Rand Corporation, Sept. 3, 1958; Audrey Donnithorne, "China's Grain: Output, Procurement, Transfers and Trade," Economic Research Centre Monograph, Hong Kong, Chinese University, 1970; David L. Denny, "Rural Policies and the Distribution of Agricultural Products in China: 1950–1959," Ph.D diss., Ann Arbor, University of Michigan, 1971; and Elizabeth Croll, *The Family Rice Bowl: Food and Domestic Economy in China*, Geneva, United Nations Research Institute for Social Development, 1983.

[2]This argument is most closely associated with Mark Elvin, but also with Robert Dernberger and to a lesser extent Dwight Perkins and Anthony Tang. See Mark Elvin, "The High-Level Equilibrium Trap: The Causes of the Decline of Invention in the Traditional Chinese Textile Industries," in William E. Wilmott, Ed., *Economic Organization in Chinese Society*,

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that while there appeared to be little advancement in mechanical technology after the 14th century, "increased complexity was evident in patterns of cropping and marketing and in the introduction of new fertilizer that allowed greater intensity of cultivation" (p. 7). Although he accepts Dwight Perkins's analysis[3] that "the long-run trend of farm consumption and income was unchanged," Lardy stresses that "peasants responded positively to opportunities created by the availability of improved seed varieties, new crops, new fertilizers, improved transport, and rising urban demand." Noting Carl Riskin's calculations of substantial investible surplus available in China's 1930's economy,[4] Lardy concludes that deficiencies in the country's "modern economic growth prior to 1949 are not easily attributable to a stagnant agriculture producing at or just above subsistence. The explanation must address the issue of why the large pool of resources was not mobilized for investment purposes" (pp. 11–12).[5]

There is nothing new in this treatment, nor is it particularly complete or current, but it does provide readers with some sense of historical process rather than the usual snapshot of a static "traditional China." It also furnishes a modest feel for one of the central debates over Chinese development before 1949, without bogging the reader down in the intricacies of competing arguments.

MOST BOOKS on agricultural development in the People's Republic of China (PRC) are confined exclusively to China, incorporating neither reference to mainstream development theory nor an appreciable international comparative perspective. Lardy's work is an improvement in this regard. In his first chapter, for example, he attempts to embed agriculture's perceived role in Chinese development strategy within the international literature on economic development theory. Lardy further provides a brief theoretical discussion at the beginning of several of the later chapters. But here his concessions to space limitations and readability for a general audience prove costly. The author's theoretical treatment of agriculture in the development process relies heavily on (1) the "contributions to growth" notions of Kuznets and Myint,[6] which provide a relatively static picture of agriculture's role as a supplier of labor, food, and financial savings to nonagricultural development; and (2) the early "balanced growth" models,[7] which, though precise in their specification of balance, miss some critical dynamic interactions between the overall growth of an industrializing economy and agriculture under the special conditions of technical transformation. The elements of an agriculture-based strategy of economic development are now well-articulated and are complemented by an impressive comparative literature. W. Arthur Lewis defined the critical role of food as a wages good. Bruce Johnston and John Mellor delineated the need for productivity increase in agriculture and the role of technology. The path of resource transfers from agriculture that have facilitated nonagricultural growth were tracked for Japan by Bruce Johnston, Ohkawa Kazushi, and Teranishi Juro; for Taiwan by T.H. Lee; and for India, Japan, Taiwan, and China by Ishikawa Shigeru. The critical role of agriculture in stimulating growth in the nonagricultural sector was explored via consumption goods by John Mellor and Uma Lele and via producer goods by Bruce Johnston and Peter Kilby.[8]

Stanford, Stanford University Press, 1972, pp. 137–72; idem, *Pattern of the Chinese Past: A Social and Economic Interpretation*, Stanford, Stanford University Press, 1973; Robert F. Dernberger, "The Role of the Foreigner in China's Economic Development," in Dwight H. Perkins, Ed., *China's Modern Economy in Historical Perspective*, Stanford, Stanford University Press, 1975, pp. 19–47; Dwight H. Perkins, "Growth and Changing Structure of China's Twentieth Century Economy," in Perkins, *China's Modern Economy in Historical Perspective*, pp. 115–65; and Anthony M. Tang, *An Analytical and Empirical Investigation of Agriculture in Mainland China, 1952–1980*, Taipei, Chung-Hua Institution for Economic Research, December 1984.

[3]Dwight H. Perkins, *Agricultural Development in China, 1368–1968*, Chicago, Aldine, 1969.

[4]Carl Riskin, "Surplus or Stagnation in Modern China," in Perkins, *China's Modern Economy in Historical Perspective*, pp. 49–84.

[5]This position is essentially the same as that published by Riskin in 1975 (ibid.). Ramon Myers is also associated with refutation of the "technologists" view that agriculture was stagnant and rural economic mobility had ground to a halt in the 19th and 20th centuries (e.g. *The Chinese Peasant Economy: Agricultural Development in Hopei and Shantung, 1800–1949*, Cambridge, Harvard University Press, 1970). Riskin, however, also finds fault with the opposing "distributionist" view—the view that there was sufficient surplus during the period but that it was expropriated and squandered by landlords, warlords, and corrupt officials.

[6]See, e.g., Simon Kuznets, "Economic Growth and the Contribution of Agriculture: Notes on Measurements," *International Journal of Agrarian Affairs* (London), Vol. 3, No. 2, 1961; and Hla Myint, "Agriculture and Economic Development in the Open Economy," in Lloyd G. Reynolds, Ed., *Agriculture in Development Theory*, New Haven, Yale University Press, 1975.

[7]See, e.g., John C.H. Fei and Gustav Ranis, *Development of the Labor Surplus Economy: Theory and Policy*, Homewood, IL, Richard D. Irwin, 1964.

[8]See, e.g., W. Arthur Lewis, "Economic Development with Unlimited Supplies," *The Manchester School* (UK), May 1954; Bruce F. Johnston and John W. Mellor, "The Role of Agriculture in Economic Development," *American Economic Review* (Nashville, TN), September 1961, pp. 566–93; John W. Mellor, *The Economics of Agricultural Development*, Ithaca, NY, Cornell University Press, 1966; Bruce F. Johnston, "Agricultural Productivity and Economic Development in Japan," *Journal of Political Economy* (Chicago), December 1951, pp. 498–513; Ohkawa Kazushi, *Differential Structure and Agriculture: Essays on Dualistic Growth*, Tokyo, Institute of Economic Growth, Hitotsubashi University, 1972; Teranishi Juro, *Nihon no Keizai Hatten to Kinyuu* (Japan's Economic Development and Finance), Tokyo, Iwanami Shoten, 1982; Lee Teng-hui, *Intersectoral Capital Flows in the Economic*

(cont. p. 66)

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By glossing over this sophistication, the book falls short of its potential in a number of important ways. The remainder of the work leaves the impression of providing piecemeal criticisms of specific Chinese administrative tendencies (to restrict interregional trade and, consequently, gains from specialization; to engage in quantitative and command planning rather than operating through factor and product markets; to overemphasize investment in heavy industry) without a strong theory linking and prioritizing them relative to other strengths and deficiencies. Second, some explanatory potential for illuminating why such practices evolved in China is lost. Finally, important possibilities of comparison of China's development effort with performance elsewhere remain underexploited.

One of Lardy's principal criticisms, for example, is that of China's sectoral investment imbalance, and he struggles throughout a good share of the book with the difficult task of demonstrating quantitatively that heavy industry received too much emphasis. While several consequences of this imbalance are noted, little space is devoted to showing why such a policy was adopted and how it resulted in jeopardizing the very goals it was supposed to serve. As an illustration, perhaps some supplementary comments are in order.

The idea that a sectoral investment overemphasis on heavy industry for predominantly peasant-based economies consequently embodies a slow-growth strategy in terms of both employment and overall economic development, with implications for rural immiserization, is associated with a number of earlier economists commenting critically on India's Second Five-Year Plan (1956–61).[9] The theoretical basis for that plan (developed by P.C. Mahalanobis), as well as for the Soviet long-range plan of the late 1920's (developed by Evsey Domar) and the First Five-Year Plan (1953–57) of the People's Republic of China, was clearly the works of the Soviet economist G.A. Fel'dman. Although Fel'dman's original conceptualizations were refined by others over time, a common theme even among subsequent writers was an implicit equation of industrialization with modernization. Industry was seen to exhibit scale and external economies, while agriculture was subject to diminishing returns. Industries' "externalities" included promotion of new modes of economic behavior and social organization. Capital and labor were thus seen to be more productive in industry than in agriculture. As shown in the better-known works of Roy Harrod and Domar, increase in the capital stock was the source of growth. It followed from these authors' reasoning that the capital stock should be directly allocated to the capital goods sector to the extent possible, and not to consumer goods, including agricultural production.[10]

In practice, although employed by many capital-poor countries, this development is exceedingly capital intensive, leaving little room for growth in employment. The inevitable result of applying the largest share of capital resources to a limited labor force and little to the majority of workers is low productivity of both capital and labor. Moreover, with frequent work stoppages (in these relatively complex capital-intensive industries) related to typically poor infrastructural capacity in developing countries, scarce physical capital resources are often underutilized, thereby limiting even further the net increase in economic value provided by these resources. And because capital-intensive industries are so costly, remaining financial capital available to the government is insufficient for the necessary infrastructural development effort, most notably for roads, railroads, electric power, telecommunications, and so forth.

No understanding is incorporated into this industry-oriented strategy of the potential for technical change in crop production which could grant periodic reprieve from agriculture's assumed fate of diminishing returns, nor of the magnitude of investment requirements needed to achieve this technical change. The consequence of underinvestment in agriculture has been described by Ishikawa[11] in terms of a

Development of Taiwan, 1890–1960, Ithaca, NY, Cornell University Press, 1971; Ishikawa Shigeru, *Conditions for Agricultural Development in Developing Asian Countries*, Tokyo, Committee for Translation of Economic Studies, 1964; Ishikawa Shigeru, *Economic Development in Asian Perspective*, Tokyo, Kinokuniya Book Store, Ltd., 1967; John W. Mellor and Uma Lele, "Growth Linkages of the New Foodgrain Technologies," *Indian Journal of Agricultural Economics* (Bombay), January-March 1973, pp. 35–55; and Bruce F. Johnston and Peter Kilby, *Agriculture and Structural Transformation: Economic Strategies in Late Developing Countries*, New York, Oxford University Press, 1975. Among these, Lardy's principal reference is to Johnston and Kilby's *Agriculture and Structural Transformation* and to some extent Ishikawa's work on China.

[9]Notable among these efforts has been the continuing work by John Mellor. See, e.g., John W. Mellor, "Models of Economic Growth and Land Augmenting Technological Change in Foodgrain Production" (hereafter cited as "Models of Economic Growth"), in Nurul Islam, Ed., *Agricultural Policy in Developing Countries*, London, MacMillan, 1974, pp. 3–30; idem, *The New Economics of Growth*, Ithaca, NY, Cornell University Press, 1976; and idem, "Agriculture on the Road to Industrialization," in John P. Lewis and Valeriana Kallab, Eds., *Development Strategies Reconsidered*, New Brunswick, NJ, Transaction Books, 1986, pp. 67–89.

[10]For some discussion of this theoretical development, see P.C. Mahalanobis, "Some Observations on the Process of Growth of National Income," *Sankhya* (Calcutta), September 1953, pp. 307–12; Ishikawa, *Economic Development in Asian Perspective*, and Mellor, "Models of Economic Growth"; and idem "Agriculture on the Road to Industrialization."

[11]Ishikawa Shigeru, "Medium and Long-Term Prospects for the Chinese Economy—

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Ricardian Growth Trap Model in which any emerging dynamism in industrialization is constrained by slower progress in agriculture subject to diminishing returns in the absence of sufficient technical change. This happens in market economies because high prices for scarce food and agricultural inputs for industry imply high wage bills and material costs that choke off savings in industry. When food and farm prices are kept artificially low as in China, productivity, farm investment, and incentives are further constrained and procurement becomes increasingly difficult. In Ishikawa's view,[12] inevitable official response to these crises explains China's tendency toward net resource inflow into the agricultural sector over time, confounding planners' aspirations for agriculture as a source of funds to finance industrial development. Despite its long-term inconsistencies, this ultimately slow-growth low-employment strategy embodied in the early plans of the Soviet Union, India, and China have spawned a whole generation of closed-economy growth models focusing on the capital-goods sector that have been applied especially to socialist countries, but also to a wide variety of developing nations.

That China's First Five-Year Plan and succeeding plans have been extreme examples of this sectoral imbalance was emphasized by several economists specializing on economic development in China since the 1950's,[13] particularly by those focusing on the agricultural sector.[14] Anthony Tang and I found that although underinvestment in agriculture has been chronic throughout the history of the PRC, agricultural growth accelerated during periods in which, relative to other periods, there was a concentration on agriculture in terms of both sectoral allocations and supporting policies.[15] Lardy ascribes these accelerations to the relative importance accorded price planning in such periods (versus the heavier reliance at other times on quantitative output targets and quotas), to intermittent increases in typically insufficient agricultural investments, and to concurrent loosening of restrictions on trade.

Lardy's treatment of trading restrictions and price versus quantity planning in the Chinese context are logical extensions of earlier work by Dwight Perkins,[16] although he clearly deals more comprehensively with those subjects than any work covering the 1950's through the 1970's. But Lardy's work does not show the relative contribution of these individual policy shifts to accelerations in farm productivity. Were each important? Were particular categories of policy especially influential in stifling or releasing and encouraging the dynamic forces of growth? Or were there other considerations collinear with the shifts mentioned above that were even more important? Tang and I have suggested several other factors, in addition to those discussed by Lardy, contributing to China's agricultural growth cycles, including: the influence of input growth cycles; policies affecting resource allocation *within* (as well as among) localities; periodic concentration on construction project *completions* and realizing associated *returns* rather than on construction starts; and technological considerations related to constraining factors in yield growth.[17] Unfortunately, we also fail to assess rigorously the *relative* importance of these factors.

IN HIS second chapter, Lardy focuses on demonstrating the efficiency costs of various production and marketing controls typical of Chinese central planning. It is here that he postulates the theoretical superiority of price planning over quantity planning. While his model provides a handy simplification of this dichotomy for *long-term* evaluative purposes, he does not attempt to demonstrate either the theoretical advantages or superiority in effectiveness over time of administrative price adjustments as policy tools for influencing *short-term* output in the Chinese context, relative to a wide variety of other instruments used throughout the PRC period, including preferential allocation of fertilizers and credit, guaranteed and advance purchase agreements during periods of market uncertainty or (usually chronic) credit scarcity, and so forth.

Much of the chapter focuses on the 1965–77 period and empha-

Preliminary Explorations," *Tyuugoku Keizai no Tyuuchoki Tembo* (Medium and Long-Term Prospects for the Chinese Economy), Tokyo, Nityuu Keizai Kyokai (Sino-Japanese Economic Association), 1984.

[12]Ishikawa Shigeru, "Patterns and Processes of Intersectoral Resource Flows: Comparison of Cases in Asia," a paper prepared for the Symposium Celebrating the 25th Anniversary of the Economic Growth Center, Yale University, on the Current State of Development Economics: Progress and Perspectives, New Haven, April 1986.

[13]See, e.g., Liu Ta-chung and Yeh Kung-chia, *The Economy of the Chinese Mainland: National Income and Economic Development 1933–1959*, Princeton, Princeton University Press, 1965; Chen Nai-Ruenn and Walter Galenson, *The Chinese Economy Under Communism*, Chicago, Aldine, 1969; Ishikawa, *Economic Development in Asian Perspective*; Chao Kang, *Capital Formation in Mainland China, 1952–65*, Berkeley, University of California Press, 1974.

[14]Chao Kang, *Agricultural Production in Communist China, 1949–65*, Madison, University of Wisconsin Press, 1970; Anthony M. Tang and Bruce Stone, *Food Production in the People's Republic of China*, IFPRI Research Report No. 15, Washington, DC, International Food Policy Research Institute, 1980; and Tang, *An Analytical and Empirical Investigation*.

[15]Tang and Stone, op. cit., pp. 13, 117–45, and 166–70; see also Tang, *An Analytical and Empirical Investigation*.

[16]Dwight H. Perkins, *Market Control and Planning in Communist China*, Cambridge, Harvard University Press, 1966.

[17]Tang and Stone, op. cit., pp. 117–62 and 166–70.

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sizes the economic and human costs of the government's policy of local self-sufficiency in grain production. The central proposition is quite simple: there *are* gains to be had from specialization and interprovincial trade; so retreat to local autarchy involves losses. The theory of comparative advantage[18] is one of the oldest and most widely recognized concepts in Western economics, yet Lardy shows that it was not fully appreciated by many Chinese leaders, and actually rejected by Mao. Mao's promotion of local self-sufficiency may have arisen, as Lardy suggests, as a theoretical outgrowth of his views on *national* self-sufficiency. On the other hand, it may have reflected instead a failure to adjust emotionally and conceptually from the successful military/economic strategy of self-reliance that had evolved over several decades of civil and anti-colonial war and been nurtured during the subsequent period of almost continual uncertainty in the international political arena. In any event, Walker's work implies that Mao's views *prevailed* during the 1960's primarily because the administrative burden and geographic political tensions of interprovincial grain transfers had proven increasingly unmanageable during the 1950's.

The most dramatic cases of productivity loss and personal suffering engendered by Mao's grain self-sufficiency campaign are inevitably to be found in areas that (1) were relatively unsuitable for grain cultivation and (2) had enjoyed higher living standards by specializing in other commodities for which their environments or locations were more hospitable. Lardy reviews a number of the more dramatic instances: sugar cane areas of Fujian, rubber plantations on Hainan Island, herding areas of Inner Mongolia and Xinjiang, cotton areas of northwest Shandong, vegetable communes within major municipal areas, the soybean region of the northeast, and various prefectures throughout China specializing in other oilseeds. The overemphasis on grain production in the years 1965-77 also led to China's triple-cropping experiment which not only reduced incomes and returns to labor in the lower Yangzi Valley but even reduced the annual production of rice in parts of Sichuan because of losses on mid-season rice crops sustained with adjusted planting dates. Although a number of writers have previously discussed the net economic losses involved in the government's policy of the period,[19] Lardy usefully strings together a large variety of cases, segregated by theme, and fills in the story with additional information from primary references from appropriate periods.

At the end of the chapter, Lardy offers a sketchy review of rural policy reform since 1977 emphasizing the revival of price adjustments, including price increases for most farm output; the relaxation of regional self-sufficiency for areas specializing in economic (cash) crops backed up by guaranteed delivery of foodgrains; and some progress in the development of private markets. He seems to ascribe the rapid increase in production in all agricultural categories during the 1978–81 period to these measures (p. 92). In my view, they are unquestionably important for several of the nongrain crops, but do little to explain the rapid growth in foodgrain production. For the latter, I would stress the importance of the rapid progress in quality and quantity of manufactured fertilizer supply, dearth of which had previously constrained the approximation of yield potential available with existing seed technology.[20] A shift in fertilizer allocations was even highly contributory to the yield increases in economic crops. The most popular explanation for yield growth both inside and outside China, however, emphasizes labor incentives that owed their existence to the initiation of the production responsibility system.[21]

[18]The theory can be summarized in brief as follows: a society's welfare and that of each region is maximized when regions specialize in producing commodities for which they are most suited—in terms of natural conditions and the relative availability of factors of production—trading with other regions for what they do not produce, rather than attempting to produce everything they plan to consume.

[19]Chao, *Agricultural Production in Communist China*; Ishikawa Shigeru, "China's Food and Agriculture: A Turning Point," *Food Policy* (Guildford, Surrey, UK), May 1977, pp. 90–100, 102; Thomas B. Wiens, "The Evolution of Policy and Capabilities in China's Agricultural Technology," in US Congress Joint Economic Committee, *Chinese Economy Post-Mao*, Washington, DC, US Government Printing Office, 1978, pp. 671–703; Tang and Stone, op. cit.; Thomas B. Wiens, "The Limits to Agricultural Intensification: The Suzhou Experience," in US Congress Joint Economic Committee, *China Under the Four Modernizations*, Washington, DC, US Government Printing Office, 1982, pp. 462–74.

[20]See Tang and Stone, op. cit., pp. 120–45 and 166–70; Bruce Stone, "The Basis for Chinese Agricultural Growth in the 1980's and 1990's: A Comment on Document No. 1, 1984," *The China Quarterly* (London), March 1985, pp. 114–21; and idem, "Chinese Fertilizer Application in the 1980's and 1990's: Issues of Growth, Balance, Allocation, Efficiency and Response," in US Congress Joint Economic Committee, *China's Economy Looks Toward the Year 2000, Volume 1: The Four Modernizations*, Washington, DC, US Government Printing Office, 1986, pp. 453–96.

[21]See, e.g., Justin Lin, "Supervision, Incentives, and the Optimal Scale of a Farm in a Socialist Economy," Agricultural Economics Paper No. 85:16, Chicago, University of Chicago, 1985; idem, "The Household Responsibility System in China's Agricultural Reform: A Theoretical and Empirical Study," a paper presented at the International Food Policy Research Institute, Washington, DC, August 1986; Economic Research Center, State Council of the People's Republic of China, *Zhongguo Jingji Nianjian 1982* (Almanac of China's Economy 1982), Beijing, Jingji Guanli Zazhi Shechuban, 1982, pp. iii–4; Chen Yizi, "Why Rich Communes Also Adopt the Household Responsibility System," in Rural Development Research Center, *Nongcun Jingji Shehui* (Rural Areas, Economics, and Society), Beijing, Rural Development Research Center, 1981; see also Tang and Stone, op. cit.; and Stone, "The Basis for Chinese Agricultural Growth."

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On intersectoral transfers (Chapter 3), Lardy's contention that agriculture was successfully squeezed (albeit at great cost) to finance industrial development persuades some analysts, but not others.[22] Unfortunately, few of us base our position on comprehensive quantification of resource flows among sectors, each relying instead on partial quantitative indicators. The most authoritative efforts along these lines have been those conducted by Ishikawa Shigeru, one for the 1950's focusing on flows of physical goods among sectors,[23] and one for the entire 1953–82 period focusing on savings and investment flows.[24] Ishikawa's work suggests that net resource transfers out of agriculture were small and declining during the 1950's, ending in a minor net inflow by 1957. After that period, his quantification shows a continuous and increasing net inflow, a finding that conflicts with Lardy's position.

Most Western and Japanese economists researching the issue seem to agree, however, that the effort to limit these net resource flows into agriculture (or to achieve an outflow) led the Chinese leadership to undertake a wide variety of measures, many of which were detrimental to economic development broadly defined, as well as to agricultural growth and the welfare of the poorest and most vulnerable rural groups.[25] Where Walker's book makes its contribution to the discussion is to detail the excruciating difficulties faced by the Chinese leadership in managing food supplies in the context of under-investment in agriculture *even in the 1950's*. This led to successive crises and increasing capitulation in the direction of larger net flows of resources into agriculture documented by Ishikawa. Many would also probably agree that this piecemeal capitulation has embodied a significantly slower overall rate of agricultural and economic growth than a strategy that would have matched Mao's rhetoric of "agriculture first" and "agriculture as the basis of economic development."

LIVING STANDARDS in the Chinese countryside decreased during the 1965–77 period (Lardy, Chapter 4), and per capita food consumption and incomes in many areas were no higher in 1977 than they had been in 1957. Although 1957 was an average weather year and 1977 was one of the worst since 1960–61,[26] and although Lardy's micro-level support draws heavily on worst-case material, his above-mentioned conclusions are essentially similar to those expressed in a large number of previous studies by other economists specializing on China, whether based on food balance sheet approaches or micro-surveys and case studies.[27] Of course, the most authoritative development of this comparison is Walker's book, which shows that average per capita grain consumption in 1978–79 (average and excellent weather years subsequent to the initiation of several reforms and reduced procurement pressure) was only slightly higher than the 1953–57 mean, and lower than the peak years of the 1950's (p. 182). With most nongrain food intake at lower per capita levels, the likelihood of a positive long-term trend in per capita caloric consumption is slight.

Other recent studies have been more charitable to the PRC's performance on food consumption, notably work by Elizabeth Croll and by Alan Piazza.[28] But Croll's work is heavily influenced by her detailed examination of *urban* consumption and distribution. The "rural" catego-

[22]James E. Nickum, for example, seems to accept Lardy's view in his review of *Agriculture in China's Modern Economic Development*, in the *Journal of Asian Studies* (Berkeley), August 1985, pp. 813–15. For different interpretations emphasizing lack of governmental success in squeezing agriculture in the long run, see Bruce Stone, "Long-term Intersectoral Resource Flows Among Countries Undergoing Technical Transformation of Agriculture: With Special Reference to the People's Republic of China," a paper presented for the 31st International Congress of Human Sciences in Asia and North Africa, Tokyo, Sept. 1–3, 1983 [abstract appears in *Proceedings* volume edited by Tatsuro Yamamoto, Tokyo, Toho Gakkai (Institute of Eastern Culture)], 1984; Stone, "Relative Foodgrain Prices in the People's Republic of China: Rural Taxation Through Public Monopoly," paper prepared for IFPRI Workshop on Food and Agricultural Price Policy, April 29–May 2, Elkridge, MD (will be published in *Food and Agricultural Price Policy-Development Context* edited by John W. Mellor and Raisuddin Ahmed, Baltimore, Johns Hopkins University Press); and Nakagane Katsuji, Review of *Agriculture in China's Modern Economic Development* by Nicholas Lardy, *The Developing Economies* (Tokyo), No. 1, 1986, pp. 86–88.

[23]Ishikawa, *Economic Development in Asian Perspective*; and idem, "Resource Flows Between Agriculture and Industry—The Chinese Experience," *The Developing Economies*, March 1967, pp. 3–49.

[24]Ishikawa, "Patterns and Processes of Intersectoral Resource Flows."

[25]The most explicit statement of this position is Stone, "Relative Foodgrain Prices in the PRC."

[26]Y.Y. Kueh, "A Weather Index for Analyzing Grain Yield Instability in China, 1952–81," *The China Quarterly*, March 1984, pp. 68–83; see also Stone, "China's 1985 Foodgrain Production Target: Issues and Prospects," in Tang and Stone, op. cit., p. 88.

[27]For example, Ishikawa, "China's Food and Agriculture: A Turning Point"; Tang and Stone, op. cit.; Thomas B. Wiens, "Agricultural Statistics in the People's Republic of China," in Alexander Eckstein, Ed., *Quantitative Measures of China's Economic Output*, Ann Arbor, University of Michigan Press, 1980, pp. 44–107 and 275–339; Vaclav Smil, "Food Energy in PRC," *Current Scene* (Hong Kong), Nos. 6 and 7, 1980, pp. 1–11; Smil, "China's Food: Availability, Requirements, Composition, Prospects," *Food Policy*, May 1981, pp. 67–77; James A. Kilpatrick, "China: The Drive for Dietary Improvement," in US Congress Joint Economic Committee, *China Under the Four Modernizations*, pp. 449–61.

[28]Croll, op. cit.; Alan Piazza, *Food Consumption and Nutritional Status in the PRC*, Boulder, CO, Westview, 1986; Alan L. Piazza, "Trends in Food and Nutrient Availability in China, 1950–81," *World Bank Staff Working Paper* No. 607, Washington, DC, 1983; see also Stone, Review of *The Family Rice Bowl* by Elizabeth Croll, *The China Quarterly*, December 1984, pp. 876–78.

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ries for both Croll's and Piazza's studies are actually suburban, and thus are atypical of the countryside further from major municipalities. Upon close scrutiny, Piazza's work, which incorporates anthropometric data as well as food consumption survey results and calculations of age-based requirements, supports the no-growth contentions of Walker and Lardy on the two-decade period. He estimates that as a percentage of caloric requirements, energy availability during the 1959–77 period reached the average for 1952–58 in only one year; in terms of protein availability relative to requirements, the 1952–58 average was reached only in 1979 and in each year since 1981. All per capita figures fall in the range of 74.6 to 103.9 percent of requirements for the 1959–77 period, suggesting bottom quintiles of seriously malnourished citizens.[29] Piazza's anthropometric data document clear progress in urban and suburban areas, however, and he emphasizes progress even in rural areas, including chronically impoverished ones, since 1977.

Although a glance at trends in the average wage of state employees and in rural collectively distributed income would suggest some narrowing of the rural-urban income gap during the two decades, Lardy shows this differential actually increased, owing to climbing labor-force participation rates. In another work, Lardy also documents the growing host of subsidies for urban residents unavailable for most inhabitants in the countryside.[30] Dwight Perkins and Shahid Yusuf go a step further to compare total per capita food and nonfood consumption levels in rural and urban areas in constant 1979 prices. Their results show a 1.9 to 1 urban-rural ratio in 1957 growing to 3.2 to 1 in 1975, slipping only to 3.1 to 1 in 1979.[31]

In addition, Lardy makes it clear that many elements of Chinese government policy have actually exacerbated poverty in the very poorest of Chinese rural areas. He points to the localized foodgrain self-sufficiency drive and restrictions on trade, and restrictions on migration, as well as tax and procurement policies. Again, this is consistent with my own view and that of a few other specialists,[32] although unlike the long-term absence of growth in per capita consumption (1957-77), it cannot be considered a mainstream position even among economists. Lardy and especially Walker also detail how government activities accentuated the 1959–61 famine.[33] In fact, Walker's material suggests that an agricultural depression in the 1960's was more or less inevitable and followed upon conditions and policies of pre-1958 China. Bad weather and the administrative mistakes of the Great Leap Forward (1958–59) merely served to bring it on sooner and with thoroughly catastrophic severity.

Going further than Lardy, it has been noted that restrictions on factor and input markets have also operated regressively within rural areas in many instances,[34] although the record is somewhat more mixed on the whole. But restrictions on economic activities in poor areas coupled with migration controls have been the most harmful to the very poorest rural areas, which require substantial diversification from dependence on especially risky and impoverished farming.

IT IS INTERESTING to note that Peter Timmer, a knowledgeable and able development economist familiar with China, though not a Sinologist, finds Lardy's conclusions on rural poverty in "conflict with much of the standard literature."[35] Yet, as demonstrated throughout this essay, much of Lardy's criticism of government policy can be considered mainstream among the most respected Western and Japanese economists specializing on Chinese agriculture, and little of the remainder can be considered revolutionary. Timmer's reaction may be partly because Lardy's book is so unrelentingly critical, and this may be viewed as a major weakness.

[29]Piazza, *Food Consumption*, pp. 92.

[30]Nicholas Lardy, "Agricultural Prices in China," *World Bank Staff Working Paper* No. 606, Washington, DC, 1984.

[31]Dwight Perkins and Shahid Yusuf, *Rural Development in China*, Baltimore, Johns Hopkins University Press, 1984.

[32]Stone, "China's 1985 Foodgrain Production Target"; Perkins and Yusuf, op. cit.

[33]During the Great Leap Forward, party pressure on statistical units to report production successes resulted in grossly inflated 1958 output statistics, including those for grain. This misinformation caused the government to reallocate acreage to nongrain crops in 1959, while simultaneously intensifying procurement from rural areas. The year 1958 had been a good crop year though not a magnificent one, and in 1959 weather was poor. By the time the mistakes were realized, it was too late to adjust 1959 spring planting, and stock depletion in 1959 became inevitable. When the worst farming weather in 20th-century China struck in 1960 and 1961, the disaster took on truly catastrophic proportions resulting in massive famine and a gross population decline of 13.5 million. In addition, technical mismanagement on the part of overzealous and poorly qualified cadres and officials brought about serious damage to farmlands from deep plowing, close planting, and water control construction errors. Various elements of this catastrophe have been discussed in a variety of earlier work, including Chao, *Agricultural Production in Communist China*; Li Choh-ming, *The Statistical System of Communist China*, Berkeley, University of California Press, 1962; E.B. Vermeer, *Water Conservancy and Irrigation in China*, Leiden, Leiden University Press, 1977. Lardy and Walker, however, have treated this period most comprehensively.

[34]Stone, "China's 1985 Foodgrain Production Target"; idem, "Chinese Fertilizer Application in the 1980's and 1990's"; idem, "Fertilizer Marketing and Allocation in China," a paper prepared for the World Bank, Washington, DC, June 1984; and idem, "Systemic and Policy Change in the Administration of Chinese Fertilizer Sector Development," a paper prepared for the World Bank, Washington, DC, June 1986.

[35]C. Peter Timmer, Review of *Agriculture in China's Modern Economic Development* by Nicholas Lardy, *Journal of Economic Literature* (Nashville, TN), December 1984, p. 1675.

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The Chinese government, despite all of the above arguments, and even during the 1965–77 period, enjoyed some successes and strengths when viewed in the context of other developing countries.[36] Timmer regards the book's principal flaw to be its "failure to draw several important *comparative* policy lessons from Chinese experience for a wide range of other developing countries."[37] Yet, Lardy's book embodies *some* effort to do so—more, in fact, than have those of most economists specializing on China, with the principal exception of Ishikawa (and to some extent Tang) whose works are less accessible and less available to the average Western reader.

Herein lies the key to the paradox of Timmer's reaction: economists specializing on China have failed to get their message across to the non-specialist public, even including development economists. Timmer is right when he suggests that Lardy's work conflicts with the standard view in the West (among non-Sinologists), where perceptions have been influenced far more by publications, proliferating during the 1970's, extolling the virtues of Chinese socialism relative to the regimes of other developing countries, although such works are not regarded for the most part as serious analyses by most economists specializing on China.

Many works relating to the Chinese economy published in the 1950's and 1960's were critical. To some extent, they were subsequently dismissed in the general view as products of the strong anti-communist stance of much Western writing of the period, or even of anti-communist Chinese emigrants, although several such as Liu Ta-chung were exceedingly competent economists. By the late 1960's and 1970's, with criticism of the United States's position in Vietnam reaching a crescendo in America and Europe, there was impetus to arrive at a more balanced and updated view. Yet, young economists specializing in China could not easily find jobs in their field or gain the respect of their departments owing to the particular unavailability of hard data allowing cross-country comparison and sophisticated analyses. Those that persevered were often personally attracted to China or to the Chinese, or were interested in socialism; many of the more senior scholars were historians or political scientists writing on economic topics, and many of the economists were young and tended to be less critical than their older colleagues who were no longer active in the field. Among the writings of these academicians, it was not surprising at the time to find a lack of theoretical or quantitative rigor, and an effort to present a more sympathetic view. This tendency was furthered by the necessity to rely for research material on especially biased propaganda and very selective release of statistics among Chinese internal and international publications.

Among nonacademic material produced on the Chinese economy, a large share was put out by the US Department of Agriculture (USDA), the US Central Intelligence Agency, or by the United Nations or other international organizations. Although the USDA seems to have been guilty of publishing consistently pessimistic estimates of future Chinese production for certain periods, some of the best work was done by the two American organizations, despite the limitations of time and publication style placed upon civil servants. The UN organizations, on the other hand, were careful not to be critical of China, and some leaned over backwards to court the exotic contact with the PRC. As other professional delegations began to receive permission to visit China, the courtliness continued, especially by would-be China specialists: it was still easy to be designated *persona non grata*. The delegations typically visited showcase locations and were treated well; few were composed of economists.

Change from this situation accelerated considerably during the decade from 1977 to 1986 with proliferation of delegations and exchanges, business activities, tourism, and even the potential for informal contact with Chinese citizens. Among Japanese and Western scholars of Chinese agriculture, in addition to Ishikawa, Perkins, Tang, Walker, and a few other still active but more senior researchers who continued to strive for quantitative rigor throughout the statistical blackout, a host of younger Chinese and non-Chinese economists have potential to upgrade the level of scholarship on the subject. This effort is aided immeasurably by the re-establishment of the State Statistical Bureau in China, the publication of statistical material by the Bureau and hundreds of other organizations, the recent Chinese eagerness to collaborate (though not unattended by difficulties) on joint research projects, the climate of criticism, reflected in Chinese published articles, of policies associated with previous periods, and even some degree of acceptance of debate and criticism of existing policies.

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[36]For example, the state effort to sponsor technical change in agriculture, though grossly undercapitalized and not without flaws, was managed with a relatively high degree of efficiency for a developing country: resources were expended in the right categories. Urban areas, at least, were substantially insulated against year-to-year foodgrain production variability, and its distribution within cities was handled on a reasonably equitable basis. The commune organization and workpoint system provided a limited safety net for each locality's poorest inhabitants, albeit dependent on that locality's aggregate performance, and not without costs to efficiency and incentives.

[37]See Timmer's review, loc. cit., p. 1674.

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Among the younger group, those that began producing at the end of the previous era have a lead on the field, including Lardy and Thomas Wiens. They may well retain it, since the number of permanent job opportunities for doing long-term analytic research on the Chinese economy have increased surprisingly little in the West, unlike short-term or temporary posts or those emphasizing descriptive work. But the World Bank has emerged as a major serious institutional contributor to the analysis of Chinese agriculture. This is in some part through the outstanding efforts of Wiens and a few others at the Bank and in part because the Bank has financial leverage to bargain for studies and research materials to do important analytical work in areas where inertia and conservatism would otherwise still withhold data. Other less financially imposing research institutions are even meeting with a certain degree of success in organizing useful studies within China.

So the future is promising for progressing beyond Lardy's and Walker's recent efforts. Even now, statistical material made available since the publication of their books allows for more intensive study. As admirable as the accomplishments of these two authors are, their books are remarkable in part because of the massive detective job required to produce and substantiate rudimentary research results for China during the pre-1979 period—results that would be less impressive among the scholarship on more open societies. In my view, Lardy's initial questions about the causes of acceleration in agricultural growth as they apply to foodgrain production still lack satisfactory answers. But even more important than the pre-1977 period (although such work is indispensable to understanding the present), rigorous analysis of the determinants of China's impressive post-1977 progress and attendant difficulties remains to be done. Myths about the causes of this recent spurt of growth are already proliferating.

☆ U. S. GOVERNMENT PRINTING OFFICE : 1986 181-806/40003

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